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**The role of context, activities, and organization,
in Value-Based Procurement**

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This book is dedicated to my wife.

時は愛も痛みも深く抱きとめ、消してゆく

けど私は覚えている

ずっと

光田康典・『Radical Dreamers～盗めない宝石～』

ABSTRACT

This thesis explores the adoption of a Value-Based Procurement Strategy. A procurement strategy is value-based when it facilitates procurement to develop attractive value propositions for both suppliers and internal stakeholders. The procurement function, including its activities and organization, and the collaboration with suppliers, are shaped to achieve this goal. SAAB, a Swedish military fighter airplane manufacturer, has been driven to adopt such a strategy by its surrounding context and market position, which demand that SAAB find new ways to attract key suppliers. SAAB responded to this demand by offering suppliers alternative benefits in terms of, for example, knowledge, intelligence, standardization, co-marketing, and prioritization. SAAB offers the empirical opportunity taken by this thesis to explore Value-Based Procurement.

A theoretical framework built on literature on procurement in terms of procurement context, procurement activities, and procurement organization informs this study. The framework also encompasses literature on value and value propositions. A value perspective describes well both how SAAB's procurement function has been shaped, and the work that the procurement department does. Nearly thirty hours of interviews with people of different roles within the procurement organization of SAAB and a workshop involving multiple key informants form the empirical base for this explorative, qualitative, single-case study. A thick empirical description of SAAB's Strategic Sourcing department and its work allows the reader to assess generalizability. The analysis building thereon results in nineteen propositions for how the adoption of a Value-Based Procurement Strategy has implications for procurement activities and organization.

This study contributes in several ways to research. It recounts an in-depth revelatory case of the adoption of a Value-Based Procurement Strategy and a customer taking a leading role in developing value propositions for suppliers and itself, thus providing insight into an unexplored area. The procurement context encourages the adoption of a Value-Based Procurement Strategy and plays a role in determining what is valuable to suppliers. The procurement activities and procurement organization play enabling roles in successfully implementing Value-Based Procurement, and act as drivers of value proposed to suppliers. Value propositions are tools for developing procurement strategy and for execution thereof through procurement. This thesis also deepens the understanding of value by promoting a parallel view of co-developed customer and supplier value. Finally, it contributes to procurement literature by showing that the buying side has value propositions to make. This thesis contributes to managers by illustrating how a Value-Based Procurement Strategy can be adopted, and possible reasons why it should. It also proposes "value actions" as possible Value-Based Procurement Strategy improvement efforts.

SAMMANFATTNING

Denna avhandling utforskar införandet av en Värdebaserad inköpsstrategi. En inköpsstrategi är värdebaserad när den underlättar för inköp att utveckla attraktiva värdeerbjudanden till både leverantörer och interna intressenter. Inköpsfunktionen och dess aktiviteter och organisation, och samarbetet med leverantörerna, formas för att uppnå detta mål. SAAB, en svensk tillverkare av militära stridsflygplan, har drivits till att införa en sådan strategi av dess omgivande kontext och marknadsposition, vilka kräver att SAAB hittar nya sätt att attrahera nyckelleverantörer. SAABs svar är att erbjuda sina leverantörer alternativa fördelar som till exempel kunskap, upplysningar, standardisering, sammarknadsföring, och prioritet. SAAB erbjuder den empiriska möjligheten som denna avhandling tar tillvara på då den utforskar Värdebaserat inköp.

Denna studie lutar sig mot ett teoretiskt ramverk som bygger på litteratur om inköpets kontext, inköpsaktiviteter, och inköpsorganisation. Ramverket bygger också på litteratur om värde och värdeerbjudanden. Värdeperspektivet beskriver väl både hur SAABs inköpsfunktion har formats och det arbete som inköpsavdelningen gör. Denna utforskande fallstudie använder en kvalitativ metod och baseras på närmare trettio timmar intervjuer med människor med olika roller inom SAABs inköpsorganisation och en workshop som involverade ett flertal nyckelinformanter. En utförlig beskrivning av SAABs avdelning Strategic sourcing och dess arbete möjliggör för läsaren att bedöma generaliserbarheten. Analysen resulterar i nitton propositioner för hur införandet av en Värdebaserad inköpsstrategi har implikationer på inköpets aktiviteter och organisation.

Denna studie har flera bidrag forskningen. Studien återger en djupgående och avslöjande fallstudie av införandet av en Värdebaserad inköpsstrategi och en kund som tar en ledande roll i utvecklingen av värdeerbjudanden för leverantörer och sig själv, och därmed bidrar den med insikt i ett outforskat område. Inköpets kontext befrämjar införandet av en Värdebaserad inköpsstrategi och spelar en viktig roll i avgörandet av vad som är värdefullt för leverantörer. Inköpsaktiviteter och inköpsorganisation spelar möjliggörande roller i ett framgångsrikt införande av Värdebaserat inköp, och driver upp det erbjudna värdet till leverantörer. Värdeerbjudanden är verktyg för att utveckla inköpsstrategi och för att exekvera på sådan strategi i inköps arbete. Denna avhandling fördjupar också förståelsen för värde genom att förespråka en parallell syn på samutvecklat värde för kund och leverantör. Slutligen bidrar den till inköpslitteraturen genom att visa att den köpande sidan också kan erbjuda värde. Denna avhandling bidrar till företagsledare genom att illustrera hur en Värdebaserad inköpsstrategi kan införas och möjliga anledningar till varför den borde införas. Den föreslår också "value actions" som möjliga satsningar på att förbättra Värdebaserad inköpsstrategi.

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1

INTRODUCTION

Strategic procurement is an imperative for modern corporations, and the procurement function is becoming increasingly strategic and autonomous in many firms (Lawson, Cousins et al. 2009, Knoppen and Sáenz 2015). Depending on its level of maturity, the procurement strategy can create sustainable competitive advantage and contribute to both the top and bottom lines (Mena, Christopher et al. 2014). Successful strategic purchasing has a positive impact on firms' financial performance (Carr and Smeltzer 1999, Carr and Pearson 2002), competitive position, profitability, and market share (Carter and Narasimhan 1996), and it is positively associated with supplier responsiveness and communication (Carr and Smeltzer 1999). Purchasing performance increases when there is a fit between the purchasing strategy and the purchasing structure (Akın Ateş, van Raaij et al. 2018). However, while purchasing strategies influence the competitive success of a firm as much as marketing, finance, or other functions (Carter and Narasimhan 1996), these strategies need to be aligned with both internal and external needs to perform well (Mena, Christopher et al. 2014). Accordingly, the procurement task has become increasingly important, complex, strategic, and cooperative (Schneider and Wallenburg 2013, Beske and Seuring 2014, Wolf 2014, Handfield, Cousins et al. 2015). This thesis assumes the view of procurement held by Kidd (2006): "Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfil its strategic objectives" (Kidd 2006, p. 5). It has been suggested that procurement can assume leadership in organizations and even supply chains (Mena, Christopher et al. 2014), but many firms, despite realizing the strategic importance of procurement, struggle with selecting and implementing a procurement strategy that fits their situation (Olson, Slater et al. 2005).

1.1 PROCUREMENT STRATEGY BASED ON VALUE LOGIC

Procurement research nowadays has widened its perspective to examine procurement's strategic role and the management of suppliers and supply chains (Larson and Halldórsson 2002, Burgess, Singh et al. 2006, Spina, Caniato et al. 2013, Wieland and Wallenburg 2013, Wieland, Handfield et al. 2016, Kırılmaz and Erol 2017). Collaborating with key suppliers has become common practice (Virolainen 1998, Chicksand 2015, Rezaei 2015). The business market value concept (Anderson and Narus 1999, Anderson, Narus et al. 2006, Oliva 2012) has started to find its way into procurement literature. Some examples are Cox (1999) who looked at how supply chain power plays a role in value appropriation, and Kähkönen, Lintukangas et al. (2015), who investigated how value-creating activities in supply chain management affect the buyer's

dependence. A close connection between resource-based theory and value exists, as valuable resources are useful (Bowman and Ambrosini 2000). Resource-based theory has proven useful for explaining how procurement can contribute to competitive advantage (Ramsay 2001), and the closely related resource-dependence perspective has been used to explain why and how procurement implements just-in-time purchasing (Handfield 1993).

However, a discussion of the value for both the supplier and buyer is missing in most perspectives on procurement strategy, with some exceptions (Dumond 1996, Ramsay and Wagner 2009, Frow and Payne 2011). This is in stark contrast to articles regarding the development of value propositions that strongly emphasize the importance of considering both supplier and customer (Ballantyne, Frow et al. 2011, Skålén, Gummerus et al. 2015, Kowalkowski, Kindström et al. 2016, Payne, Frow et al. 2017, Eggert, Ulaga et al. 2018). Just as sales have looked at both customers' value (Ulaga and Eggert 2005, Ulaga and Eggert 2006) and, to some extent, the value of customers to the own firm (Venkatesan and Kumar 2004), procurement needs to ask why its suppliers would want to do business with its firm, and what its firm gets out of the business. A few authors ask these questions (Blenkhorn and Banting 1991, Christiansen and Maltz 2002, Ferrell, Gonzalez-Padron et al. 2010), but none of these authors base their studies on value. When whole supply chains begin to compete in the increasingly global market, basing the development of procurement strategy on a consideration of value for all actors of the supply chain has been suggested as an imperative for strategic procurement (Chick and Handfield 2014).

This thesis focuses on strategies developed with value in mind and introduces the Value-Based Procurement Strategy concept to refer to them. The Value-Based Procurement Strategy is a procurement strategy built around an aim to achieve value, thus focusing on providing solutions to the needs of suppliers and those of the own organization. The implementation of a Value-Based Procurement Strategy is termed Value-Based Procurement.

1.2 CONTEXT, ACTIVITIES, AND ORGANIZATION, AS PERSPECTIVES ON PROCUREMENT STRATEGY ADOPTION

Procurement strategy will be examined using three perspectives that have been central in much of the procurement strategy literature to this date: the context, the activities, and the organization. It has been advocated by other scholars that procurement strategy decisions must consider, for example, supply market complexity and product criticality (Kraljic 1983), environmental factors such as customer service requirements, competitive positions, governmental regulations, the economy (Virolainen 1998), and the difficulty of managing buying and the impact on projects (Masi, Micheli et al. 2013). It has also been shown that a match between

organizational structure and employee behaviors, and strategy implementation, will strongly influence firm performance (Olson, Slater et al. 2005), and that a fit between purchasing strategy and purchasing structure has a positive impact on purchasing performance (Akin Ateş, van Raaij et al. 2018). In other words, these three concepts are both influential in procurement strategy development and selection, and as constituents of the procurement strategy contents and implementation. The procurement organization (Buckles and Ronchetto 1996, Giunipero and Monczka 1997, Bals and Turkulainen 2017, Yang, Cheng et al. 2017) and the procurement activities (Cardozo 1983, Kotteaku, Laios et al. 1995, Iyer 1996, Ellström and Hoshi Larsson 2017) are main constructs through which procurement has been operationalized this far in procurement literature. Additionally, the selection of these three concepts resembles the distinctions made in the seminal work by, among others, Wind and Thomas (1980) (Buying center, Buying decision process, Factors affecting buying center & buying process) and Johnston and Lewin (1996) (different external and internal characteristics, and organizational buying behavior including negotiations and decisions). Therefore, this thesis examines procurement strategy from these three perspectives.

The context, i.e. the environment and the situation in which procurement takes place is frequently cited as an explanatory factor for buyer behavior, in general (Robinson, Faris et al. 1967, Iyer 1996, Johnston and Lewin 1996), and activities such as supplier selection and criteria used therefore, in particular, (Masi, Micheli et al. 2013), and outcomes such as relational rents (Lawson, Cousins et al. 2009). Both the context of the firm and the specific context of a procurement situation (Masi, Micheli et al. 2013) are taken into account in this thesis. The firm context also shapes the specific procurement situation context, via firm strategy (Akin Ateş, van Raaij et al. 2018). As for strategic procurement, its very definition is commonly made contingent on contextual factors such as firm strategy and competition (Ellram and Carr 1994). This thesis will, therefore, apply a contextual perspective when studying procurement strategy.

The activities of procurers have been focused on, both as dependent on the context and organization of procurement, but also as independent explanations for procurement performance. Procurement activities are tightly related to decision making (Watts, Kim et al. 1995) and planning (Carr and Pearson 2002), and the composition of activities depends on the context and differs in terms of specialization, routines, formalization, centralization, and analysis (Kotteaku, Laios et al. 1995). The first studies of procurement activities looked at the specific procurement process (Robinson, Faris et al. 1967, Cardozo 1983). The procurement process is still studied from specific angles such as information usage (Hunter, Bunn et al. 2006) and complex situations (Aarikka-Stenroos and Sakari Makkonen 2014), with activities spanning from need recognition to

implementation and evaluation. Procurement activities also include the management of suppliers and of the procurement function itself. Evaluating supplier relationships (Pressey, Tzokas et al. 2007), increasing power over suppliers (Cox, Watson et al. 2004), and working together on cost (Ellström and Hoshi Larsson 2017) are examples of supplier management, while procurement management involves decision making on how to source (Ramsay and Wilson 1990, Ford, Cotton et al. 1993) grouping and prioritizing suppliers (Iyer 1996) and setting up the organization (Lakemond, van Echtelt et al. 2001, Bals and Turkulainen 2017). This thesis will, accordingly, take an activities-perspective in the examination of procurement strategy.

The buying center (Robinson, Faris et al. 1967, Wind and Thomas 1980) was for a long time a frequently used concept used in both marketing and purchasing literature that examined the buying organization. However, focus has shifted to other concepts as procurement has become an increasingly strategic issue (Schneider and Wallenburg 2013). Now, instead of looking at the buyer from a seller's perspective and trying to understand how the buyer will act depending on some parameter, procurement literature more often takes the procurer's perspective and, instead, studies phenomena such as interactions and hierarchies (Buckles and Ronchetto 1996), and centralization (Giunipero and Monczka 1997). The procurement organization is a central concept to procurement literature. Different ways of organizing procurement have an effect on how buying organizations gain leverage or explore sourcing opportunities (Yang, Cheng et al. 2017), gain capabilities and local insight (Jia, Orzes et al. 2017) involve suppliers in working towards higher product quality, shorter lead-times, and lower costs (Lakemond, van Echtelt et al. 2001) and outsource part of its purchasing activities (Bals and Turkulainen 2017). A purchasing organization that fits with a purchasing strategy has positive effects on cost performance and innovation performance (Akin Ateş, van Raaij et al. 2018). This thesis will, therefore, take an organizational perspective on procurement strategy.

1.3 THE PURPOSE OF THIS THESIS

The purpose of this thesis is formulated as a response to the above discussion:

The purpose of this thesis is to explore the adoption of a Value-Based Procurement Strategy.

1.4 DISPOSITION OF THIS THESIS

The rest of this thesis is structured as follows.

Chapter 2: Frame of reference provides an overview of the frame of reference on which this thesis relies to analyze and contextualize the data. The frame of reference digs into the theoretical

literature of procurement from the three perspectives of context, organization, and activities. The chapter also contains a section on literature on value and value propositions and a discussion of why this perspective has not been used to any notable extent in procurement this far. The chapter concludes with a brief section on how this thesis positions these theoretical fields relative to each other.

Chapter 3: Research methodology explains how the data of this thesis has been acquired and how it has been analyzed. The aim of this chapter is to convince the skeptical reader of the validity, reliability, and relevance of this research. It explains how SAAB was selected as a case, how and why interviews and a workshop were chosen for data collection, how preparations were made, how the answers became the empirical chapter of this thesis, and how the empirics were analyzed.

Chapter 4: Strategic procurement at SAAB Aeronautics is about the case studied within this thesis: SAAB Aeronautics' Strategic Sourcing. It illustrates the challenges of SAAB and how these have evolved over time, forcing SAAB to adopt a different strategy from what it is used to, and what its suppliers act on. SAAB Aeronautics and its Strategic Sourcing department are described in detail in terms of context, organization, activities engaged in, and the value proposed to suppliers and to the own firm.

Chapter 5: Analysis breaks down and conceptualizes the data into themes that describe Value-Based Procurement Strategy. It looks at how SAAB's procurement context has influenced the adoption of this strategy, and how this has had implications for procurement activities and the procurement organization. It also discusses how this strategy and its implementation relate to and result in value propositions that are aimed at both suppliers and the own firm. The aim of this chapter is to illuminate and make understandable and generalizable the adoption of a Value-Based Procurement Strategy.

Chapter 6: Conclusions contains a summary and discussion of the results from the analysis. The aim of this discussion is to fulfill this thesis' purpose. Conclusions are drawn regarding what Value-Based Procurement Strategy is, the essential aspects of procurement context in Value-Based Procurement and its implications for the activities and organization of procurement, and the role of value propositions. Furthermore, the contributions to researchers and managers are discussed, as well as how future studies can build on the results of this thesis.

Chapter 7: References, all the sources on which this thesis relies are listed for reference. Lists of all tables and figures can be found in Chapter 8: List of tables and Chapter 9: List of figures, respectively. In Chapter 10: List of abbreviations, all abbreviations used in this thesis are spelled out and explained.

2 FRAME OF REFERENCE

This chapter covers the literature on procurement and value propositions that has informed the analysis of this thesis. It aims to establish the procurement research area on which this thesis is based and intends to contribute. In addition to procurement literature, the thesis also draws from marketing literature, which is discussed in this chapter.

2.1 PROCUREMENT

When studying how organizations work to acquire the resources needed to run their business, researchers have asked questions on different levels, spanning from individual activities during the purchasing process such as supply negotiations (Dudek and Stadler 2005, Lamming, Caldwell et al. 2005) to overarching firm-level strategic issues (Beske and Seuring 2014, Wolf 2014, Handfield, Cousins et al. 2015). Growing out of multiple research disciplines, this research field consists of multiple, inter-related subfields including Procurement (Iyer 1996, Hunter, Bunn et al. 2006), Supply Chain Management (Larson and Halldórsson 2002, Burgess, Singh et al. 2006, Wieland and Wallenburg 2013, Wieland, Handfield et al. 2016), Purchasing and Supply Management (Spina, Caniato et al. 2013), Sourcing, Purchasing, Contracting and Buying (Cardozo 1983, Wilson, McMurrian et al. 2001, Barclay and Bunn 2006, Juha and Pentti 2008), and more. This field's theoretical development has its roots in purchasing and sourcing, and it has over time moved towards Supply Chain Management and a focus on whole supply chains (Kırlmaz and Erol 2017). At the same time, the field has moved from a predominantly operational focus to a focus on strategic issues (Spekman, Kamauff et al. 1994, Anderson and Katz 1998, Bozarth, Handfield et al. 1998, Lidegaard, Boer et al. 2015) and proactivity (Smeltzer and Siferd 1998). The procurement field has become increasingly market-driven (Oumlil and Williams 1989) – both marketing forward and in reverse (Blenkhorn and Banting 1991, Biemans and Brand 1995). There is still an ongoing debate on what the relationships between these subfields look like, and scholars have not reached consensus on what the overarching theoretical field should be (Larson and Halldórsson 2002, Spina, Caniato et al. 2013). Purchasing, procurement, and sourcing are terms that academic authors often use interchangeably (Spina, Caniato et al. 2013). This thesis will use the word Procurement to refer to all issues relating to the different subfields (Kidd 2006), including Procurement and Supply Chain Management, Purchasing & Supply Management, Reverse Marketing, Purchasing, Sourcing, and Contracting (Figure 1). Procurement is superordinate to all other fields, as it concerns not only the direct activities of procuring the items needed by a firm, but also the management of internal as well as external actors and the processes

and activities in which they engage. The goal of this section is, thus, to describe a theoretical foundation for Procurement, which will inform the analysis with perspectives and terminology.

Figure 1: This thesis' view of Procurement and its related fields

Outsourcing, globalization and e-business are major factors that have caused procurement to be increasingly strategic and complex in nature, both in research and practice (Bozarth, Handfield et al. 1998, Lawson, Cousins et al. 2009, Spina, Caniato et al. 2013). One view is that procurement becomes strategic when procurement strategies are developed that take into consideration factors such as firm strategy, competition on the supplier market, and customer needs (Ellram and Carr 1994). One example is Watts, Kim et al. (1995) who suggest that procurement for many firms has started moving into a new paradigm where power asymmetries and price focus have been replaced by close collaboration and continued improvement together with suppliers. This shift is viewed as an effect caused by firm strategies, such as the implementation of just-in-time (JIT) production, which demand more in terms of joint planning with suppliers. The same authors also move on to define purchasing strategy as "[...] the pattern of decisions related to acquiring required materials and services to support operations activities that are consistent with the overall corporate competitive strategy" (Watts, Kim et al. 1995, p. 5). Strategies have been conceptualized as patterns in streams of decisions (Mintzberg 1978), and strategic purchasing has been argued to really be strategic as these patterns within the decisions made by the purchasing

function have an effect on firm performance (Carter and Narasimhan 1996, Lawson, Cousins et al. 2009). One of the most cited constructions of measuring strategic procurement is that of (Carr and Pearson 2002); strategic purchasing to them is long-range planning contingent on company strategy that also feeds back into company strategy development and management decision making. The empirical case studied within this thesis is one of strategic purchasing characterized by complexity, future cooperation, and criticality in terms of supply reliability.

This thesis clusters the procurement field's extant literature's recurring topics around four focal areas that have been developed during the process of reading: the context, the procurement organization, procurement activities, and value propositions. These areas aim to capture the essence of the plethora of interrelated concepts residing within this literature, and, by doing so, the areas support the analysis of this thesis by providing themes and suggestions for pre-established concepts to structure the analysis around. Attention is given to how the surrounding context influences procurement (see Iyer 1996, Masi, Micheli et al. 2013), how firms choose to organize around the procurement task (Buckles and Ronchetto 1996, Giunipero and Monczka 1997, Bals and Turkulainen 2017, Yang, Cheng et al. 2017), and what activities are engaged in to succeed at this task (Cardozo 1983, Kotteaku, Laios et al. 1995, Iyer 1996, Ellström and Hoshi Larsson 2017). These three areas resemble the distinctions made in marketing literature by, among others, Wind and Thomas (1980) (Buying center, Buying decision process, Factors affecting buying center & buying process) and Johnston and Lewin (1996) (different external and internal characteristics and organizational buying behavior, including negotiations and decisions). A fourth area includes value propositions (Ramsay and Wagner 2009, Frow and Payne 2011) because this is a useful lens through which to view not only what procurement brings in terms of usefulness to its own firm but also to suppliers and other stakeholders. Value propositions have been useful for examining the value to multiple stakeholders in the marketing literature (Bititci, Martinez et al. 2004, Frow and Payne 2011). The four focal areas aid this thesis in fulfilling its purpose through providing a framework within which Value-Based Procurement Strategy can be analyzed.

2.1.1 Procurement context

One of the earliest works regarding industrial buying was that of Robinson, Faris et al. (1967), who launched the seminal buy-class framework that suggests that buyer behavior is influenced by the newness of the problem, information requirements, and the consideration of new alternatives. This framework was a marketer's perspective on industrial buying behavior, but, since its proposal, it has been built on by multiple authors within procurement literature. Iyer (1996) added the dimension of contracting source, which differentiates between market

contracting, where an *arms-length* stance is taken towards suppliers, and relational contracting, where tactical and strategic alliances are the means for procuring what is needed. The choice of strategy hinges on contextual factors: the availability of competent sources of supply, the volatility of the supply environment (we don't know when and what we need), demand uncertainty (we don't know what our customers need), technological change (when change is quick, we need good relationships to communicate effectively), and innovations in the supply environment (when changes are big, we want learning-based alliances to be able to benefit).

Johnston and Lewin (1996) have compiled a broad model of what they refer to as organizational buying behavior. Their model encompasses not only behavior within the buying process but also the contextual factors affecting that behavior, and, thus, their model provides a perspective for examining such factors. The factors include the characteristics of the environment, organization, purchase, seller, group, information, and participants of the buying situation. The buying situation is a concept that is synonymous to procurement, however, it should be noted that the contribution made by Johnston and Lewin (1996) was within the marketing field.

Masi, Micheli et al. (2013) have argued that the supplier selection process is conditioned on the difficulty of buying management and the impact it has on a project, and these *macro-factors* are further divided into factors and sub-factors. In contrast to Johnston and Lewin (1996), the factors and sub-factors of these authors regard areas such as power, resource scarcity, capacity, and dependency, and the models are, thus, complementary to each other. Importantly, Masi, Micheli et al. (2013) also suggest that, depending on the type of situation (i.e. the evaluation along the two macro-factors), the buyer may prefer different things when selecting suppliers: accuracy, money, understandability, simplicity, must-have criteria, flexibility, or personal judgement. The buyer may want to use scoring models, minimize TCO, minimize administration costs, or minimize price. Their conclusions fit well with the analysis of this thesis, where the procurement context is important for explaining the activities and the resulting value of procurement. The project size (or impact) and project complexity (and the management thereof) have also been identified as factors that drive the way in which a purchaser should be appropriately involved in the project (Lakemond, van Echtelt et al. 2001).

A recent review of extant literature on contingency factors for purchasing and supply organization was made by Bals, Laine et al. (2018). The authors divide these factors into external contingencies (competition, technology, barriers, logistics, and market dynamics) and internal contingencies (purchasing strategy, supplier management practices, purchasing maturity, cross-functional alignment processes, technology in use, purchasing coherence, and corporate strategy

initiatives) based on previously established evidence of these factors influencing how purchasing and supply are organized (a similar compilation of context effects on uncertainty can be found in Trautmann, Turkulainen et al. (2009)).

Hunter, Bunn et al. (2006) have put the organizational procurement process in a purchase situation context consisting of purchase importance, extensiveness of choice set, and buyer power. Purchase importance not only maps closely to the impact on project concept described by Masi, Micheli et al. (2013) but also includes the long-term effects on a firm on a general level. The extensiveness of choice set and buyer power, instead, characterize the market in which the potential suppliers exist.

The relational aspect of purchasing is also discussed by, among others, Castaldi, ten Kate et al. (2011) who claim that especially strategic purchasing has focused on the relationship part of purchasing by examining the role of purchasing internally and externally. Relationships affect the outcome; the integration and socialization of suppliers has been argued to have potential effect on relational rents (Lawson, Cousins et al. 2009). When the strategy is to aim for high performing strategic relationships with suppliers, supplier evaluation becomes less important in favor of increasing the importance of socializing mechanisms (Cousins, Lawson et al. 2008).

Little has been written about how social politics affect how procurement can and should act. On the other hand, it has been established that the defense industry is affected by both politics and economy, a fact that organizations in this market must relate to and base a strategy on (Guay and Callum 2002). National governments are highly influential in making decisions on how defense industries and aviation industries are shaped (Smith 1990). These decisions are a product of a bigger, global context for the defense industry in which all actors must consider each other (Neuman 2010). Procurement in the defense industry, in turn, must not only relate to a company's strategy but also to this context, as procurement involves working with actors internationally. Thus, politics constitute an important factor in the context of procurement in defense industries.

Logistics literature is inter-related with supply chain management literature as concerns topics such as transportation, facility locating, and foreign trade zones (Larson and Halldorsson 2004). Logistics are often linked to geographies, for example by Rodrigue (2012), who describes Geography of Production (labor, land, tax), Distribution/Transportation (terminals, hubs, traffic) and Consumption (synonymous to consumers in the Rodrigue case). This illuminates that resources in terms of supply chain management are spent on connecting the production geography to the consumption geography. Procurement, particularly in areas where logistics can

be problematic from a geographic point of view, is affected by the geographical context in which a company, its suppliers, and its customers exist.

The internal culture of buying centers has been shown to affect supplier diversity (Whitfield and Landeros 2006). As for external culture, discrepancies in individualism versus collectivism have been shown to moderate how well buyer-supplier relationships develop in terms of trust (Cannon, Doney et al. 2010). The communication cultures of the supplier and buyer moderate the effects that innovativeness orientation and technological uncertainty have on relationship learning (Jean, Sinkovics et al. 2010). When selecting strategic suppliers, Ellram (1990) have suggested four factors to consider: financial issues, organizational culture and strategy, technology, and other miscellaneous factors (safety record, references, customer base). Culture in Ellram's study is not only a large explanatory factor for the compatibility between cultures of managers and other employees with interfaces with each other but also for the development of trust, how well strategies fit, and the outlook for the future.

The surrounding firm strategy for procurement provides both restrictions on which procurement organizations are effective and which goals to evaluate against (Akin Ateş, van Raaij et al. 2018). The firm's strategy is itself contingent on the context of the firm, and, thus, it a mediating factor between the surrounding context and procurement.

The context of the procurement situation can be usefully divided into two separate areas: the surrounding context within which all procurement is made, and the specific situation of the procurement task at hand (c.f. Nicosia and Wind 1977). Many authors include the elements of firm organization, group organization, and the participant organization in procurement context. However, these factors will be lifted out of the procurement context and, instead, treated in the procurement organization section of this literature review chapter. The specific situation of a procurement task will naturally vary between different tasks. However, the surrounding context is not constant; factors such as politics and supply chains may change both gradually and abruptly. Thus, when analyzing the procurement context of a procurement situation, care must be taken to correctly understand the surrounding environment as well as the specific situation's context. Figure 2 summarizes the two areas and their constituents.

Figure 2: Overview of theoretical framework regarding the procurement context

2.1.2 The procurement organization

In this thesis, “procurement organization” pertains to people who are involved in procurement and the constellations in which those people formally and informally work. Webster and Wind (1972) have shown that industrial purchasing usually involves people from many different departments of an organization with completely different roles. These people interact both vertically and horizontally within the hierarchies of the organization (Buckles and Ronchetto 1996). One holistic view of the purchasing organization, much in line with the procurement view of this thesis, is that of Schneider and Wallenburg (2013), who build on an earlier model encompassing the four elements: (1) formal organization, (2) work and technology, (3) people, and (4) informal organization. The work and technology element in their model is treated in the Procurement activities section of this chapter and is disregarded in this section.

Looking at international purchasing, Giunipero and Monczka (1997) have identified four basic approaches to the organization of international purchasing: (1) totally decentralized purchasing, (2) coordinated purchasing, (3) totally centralized purchasing, and (4) separate international purchasing groups. The first and overwhelmingly prevalent approach not only decentralizes purchasing but also offers support in the form of centralized international purchasing groups, foreign buying offices, international purchasing specialists, foreign subsidiaries, and trading

companies (c.f. Yang, Cheng et al. 2017, who observe that some sectors such as the healthcare sector use group purchasing organizations (GPO's), a form of centralization, to gain leverage). The authors have found that company philosophy plays an important role in the choice of organizational form, and that the goals of that choice must include both gaining more leverage when sourcing and exploring international sourcing opportunities. A balance between decentralized and quick decision making and the coordination of different groups is presented by the authors as a challenge when organizing international purchasing. International Purchasing Offices (IPOs) (Jia, Orzes et al. 2017) may, in some cases, have capabilities and local insight that empowers them decentralizing purchasing and make it preferable. These increasingly autonomous organs then become more strategically important and play a bigger role in strategic development. Hybrid forms of (de-)centralization also exist, where deal making is maintained on the firm level while ordering is done regionally (Trautmann, Bals et al. 2009). In conclusion, the degree of centralization of procurement is important to consider when studying coordination and empowerment of procurement.

It has been suggested that project size and complexity influence how appropriate it is to involve purchasing in product development projects. Lakemond, van Echtelt et al. (2001) have presented a model in which a purchasers' involvement increases with project size, and the prevalence of a coordinator increases with project complexity. In addition, the project size and complexity, and, consequently, the need for the involvement of specialist purchasers and coordinators, change during the project. Through the involvement of purchasing, suppliers can be included in the development of products, and, through this, benefits such as higher product quality, shorter lead-times, and lower costs, can be reaped.

In a literature review of research on purchasing organization, Schneider and Wallenburg (2013) have looked at 212 articles to establish 12 research areas that deal with aspects of the purchasing organization. Their aim is holistic and concern purchasing organization and its related areas. The strictly organization-related areas within their review are: Functions, Centralization, Formalization, Re-organization, Interfaces, Participation in strategic issues, Cross-functional teams, Responsibilities, Relationships within and outside company, Structure and composition, Leadership, and Culture. They have identified trends in purchasing organization; organizations are becoming more cross-functional, organizational complexity is growing, purchasing is becoming more important and has a larger set of responsibilities, and interdepartmental cooperation is increasingly prevalent. The authors conclude, among other things, that the buying center has lost its attractiveness as an academic topic.

Looking at activities, geographical location, and reporting hierarchies, Bals and Turkulainen (2017) have analyzed the task of different organizational elements. Those authors found that tasks vary between different phases of purchasing, and they also found that organizing around the activities performed was a potential means to stimulate integration with service providers. Purchasing phases have already been discussed as important to the procurement context and will for this reason be examined in the context part of the model of analysis.

Johnston and Bonoma (1981) have found that the firm organization structure and purchase situation influence how other departments are involved in the purchasing process, how many individuals are involved in the purchasing process, how many hierarchical levels of the organization are involved, and to what degree involved parties communicate. Variables that have been described as influencers of how a purchasing organization is shaped and acts, include, for example, variables that influence individuals, such as goals and rewards (Johnston and Lewin 1996) and how the purchaser's role is defined in terms of centrality, departmental membership, distance from the organizational boundary, hierarchical level, network boundary, purchasing-related activities or decisions, and purchasing workflow network (Buckles and Ronchetto 1996). The shape and actions of procurement have also been explained from a functional perspective by Kotteaku, Laios et al. (1995) who confirm that, depending on the complexity of the purchase situation, different phases of the purchasing process will contain different activities in terms of articulation (specialization and existence of routines), formalization, centralization, and depth of analysis.

Bals, Laine et al. (2018) argue that purchasing and supply organizations must change continuously to improve performance. Their view is that the organization is structured around both macro (type of product bought, division to which the purchasing organization belongs, the geographic footprint in which it acts, and the focus of the activities done by the purchasing organization) and micro (centralization, formalization, specialization, participation, standardization) factors. Micro factors are dependent on macro factors. The authors conclude that contingency theory-based research should look at the fit between strategy and organizational structure. The procurement organization in terms of its macro and micro factors will be included in the theoretical framework of this thesis.

Trautmann, Turkulainen et al. (2009) have studied multinational corporations to determine how global sourcing can be integrated. Their conclusions suggest that approaches to integration within this context depend on the characteristics of the category bought and of the supply environment, and on interdependence between purchasing units. In their view, these are all

important factors that determine the information processing requirements that are central to the integration needs of purchasing units. As such, when looking at integration and information processing requirements of procurement, these must be related to the category bought, the supply environment, and purchasing unit interdependence.

In summary, procurement organization seems to exist on three different levels: (1) groups and constellations, (2) people and roles, and (3) relationships and interfaces. All three levels exist both formally (i.e. purchasing department) and informally (i.e. those usually involved in procurement of some kind). When analyzing groups and constellations, attention should be paid to their activities and functions. When looking at people and roles, responsibilities, incentives and goals are noteworthy. In addition, centralization and decentralization are common and influential design factors in procurement organization. There seems to be a strong interdependence between procurement organization and contextual factors such as culture and geography. The procurement organization may also be formalized and cross-functionally aligned at different levels. Common goals targeted with procurement organization are: gaining leverage, exploring opportunities, the coordination of projects and of supplier involvement in those, local market insight, standardizing products bought, and supporting the development of strategy. The view of procurement organization in this thesis is summarized accordingly in Figure 3. The concepts of culture and geography are different from those in the procurement context discussion in that culture and geography in this section refer to the internal dispositions of the procurement organization, whereas culture and geography in the context refer to alignment with other actors.

Figure 3: Overview of theoretical framework on procurement organization

2.1.3 Procurement activities

Many procurement activities have been conceptualized as constituents of a purchasing process. However, there are activities that fall outside such processes. This thesis makes a distinction between the specific procurement situation wherein a solution of some kind is to be procured, and activities related to the management of suppliers or of the procurement function itself. Procurement management influences specific procurement situations and supplier management, which in turn also influence specific procurement situations.

Specific procurement situations

A specific procurement situation will, by definition, start with a need recognition and end in either failure to procure anything or the procurement of some item(s). A process view is, therefore, natural when looking at procurement situations. However, while procurement processes may be predictable enough to be standardized to some extent, the content of each step is highly dependent on the situation at hand (Robinson, Faris et al. 1967). Further, it should be noted that this thesis views procurement as a wider concept than purchasing, and procurement situations may concern primarily the establishment of a contract rather than the actual purchasing based on that contract. A tabularization of widely referenced articles defining a purchasing or procurement process can be found in Table 1.

Table 1: Summary of purchasing- and procurement activities and processes

Source	Original source(s) if any	Theme	Procurement/purchasing activities
Johnston and Lewin (1996)	Robinson, Faris et al. (1967), Webster and Wind (1972), Sheth (1973)	Organizational buying behavior	Process: <ul style="list-style-type: none"> - Need recognition - Determine characteristics - Establish specifications - Identify potential sources - Request proposals - Evaluate proposals - Select supplier - Post-purchase evaluation Negotiation Information management
Hunter, Bunn et al. (2006)	-	Organizational procurement process	Procedural control Search for information Proactive focusing Formal analysis

Source	Original source(s) if any	Theme	Procurement/purchasing activities
Ghingold and Wilson (1998)	-	Buying center behavior	Need recognition, purchase initiation and/or approval General description of needed item Precise buying specifications developed Vendor search and qualification Vendor interactions and proposals Evaluation of alternative vendors and supplier selection
Webster Jr (1965)	-	Industrial buying process	Problem recognition Assignment of buying authority The search process The choice process
Burger and Cann (1995)	-	After-sales marketing	Trigger process Needs assessment Information search Vendor selection Proposal evaluation informed by evaluations of word of mouth Buying decision
(Cardozo 1983)	-	Organizational buying decisions	Take or not take action on a proposed purchase Establish budget, objectives, and specifications Solicit proposals or bids Choose a particular offering Approve the choice Accept the products delivered or services rendered Repurchase
(McQuiston and Dickson 1991)	-	Organizational buying	Problem recognition Information search Alternative evaluation Choice

This thesis assumes that a specific procurement situation will involve all, or a subset of, the following categories of activities: Analysis, Unilateral decision making, Contextualization, Specification and communication, Negotiation and agreement (multilateral decision making), Implementation, and Evaluation. These categories are the essentials resulting from an axial coding of the processes and activities in Table 1. The categories are not exhaustive, nor are they mutually exclusive; rather, they form a method with which to capture the essence of the procurement activities in the analysis.

Analysis includes activities that aim to establish, change, or improve, one's understanding of the matter of things related to the procurement at hand. Internal and external information is used to make conclusions through both formal analysis using tools (Hunter, Bunn et al. 2006), and informal analysis relying on heuristics (Barclay and Bunn 2006, Juha and Pentti 2008). Information on past exchanges and relationships with suppliers are also part of the analysis through organizational memory (Eun Park and Bunn 2003). Industrial purchasers use references,

word-of-mouth, collegial advice networks, and reputation when involved in complex buying (Aarikka-Stenroos and Sakari Makkonen 2014). They also have a preference for the status quo, which favors existing suppliers (Webster and Wind 1972). Information management is one of the activities that does not strictly belong to a stage in the process, but rather happens throughout procurement (Johnston and Lewin 1996).

Unilateral decisions are, in contrast to multilateral decisions, made without prior agreement by any other actor outside the own company. Decisions rest on varying amounts of information, some of it being a product of analysis. Typical decisions in purchasing are: deciding which suppliers to consider more closely (Webster and Wind 1972, Kauffman and Popkowski Leszcyc 2005), include in the shortlist (McQuiston and Dickson 1991, Kauffman and Popkowski Leszcyc 2005), and ask for bids (Cardozo 1983). Decisions are also made regarding methodological issues, such as how to evaluate the proposals received (McQuiston and Dickson 1991). These decisions, while reliant on both internal and external influence, are ultimately done unilaterally and, subsequently, affect other parties.

Contextualization, or internal positioning, involves the sense making activities engaged in to anchor the procurement within the frames given by the context. One example is proactive focusing (Hunter, Bunn et al. 2006) in which procurement is based on the long-range needs of the firm.

Need realization has been identified as a first step in the purchasing process (Johnston and Lewin 1996, Ghingold and Wilson 1998). However, this view pictures the discovery of needs as a natural phenomenon, with no influence from people involved. Rather, these people are pictured as receivers and caretakers of needs arising out of nowhere. A more nuanced view adopted herein views need realization as part of need exploration, which involves communicating with and analyzing the needs of the own organization and the needs of other stakeholders. Contextualization also involves ensuring that explicit procedures and processes are followed, as well as regulations, laws, and norms (Simpson, Power et al. 2007, Dabhilkar, Bengtsson et al. 2016)

Specification and communication: The inclusion or exclusion of different specifications precedes the actual specifications made (Webster and Wind 1972, Cardozo 1983, McQuiston and Dickson 1991). Traditionally, specification has not been a responsibility of purchasing, but with the trend towards strategic purchasing, where complexity has driven up the importance of the administrative role of purchasers, specification is becoming an increasingly important activity

(Cavinato 1992). According to the same author, specifications need also be reexamined to avoid over specification, which results in driving up costs.

Specification also requires communication between internal as well as external people. The communication with others internally is needed to accurately map out needs explicitly enough to satisfy documentation and compliance with process requirements (Webster and Wind 1972). Strategic purchasing has also been shown to increase the quantity and speed of supplier communication (Carr and Smeltzer 1999). In contrast, communication quality in terms of indirect influence strategy, formality, and feedback, does not seem to affect the supplier's performance directly unless the supplier is already committed to the buyer (Prahinski and Benton 2004). However, inter-organizational communication competency seems to enhance the performance of both parties (Paulraj, Lado et al. 2008).

Negotiation and agreement: A decision must be made at some point on which supplier to select (Cardozo 1983, Burger and Cann 1995, Ghingold and Wilson 1998). This decision is embedded in ongoing negotiations with one or multiple potential suppliers (Herbst, Voeth et al. 2011, Thomas, Thomas et al. 2013) in which information continues to be gathered and analyzed to inform decisions. Negotiations also pose a potential source of mutual insight into differences in needs and opportunities to capture additional value (Reid, Pullins et al. 2002, Olekalns and Smith 2013). Similar to information management, negotiations do not belong to a specific stage in the procurement process, but rather they occur throughout the process at different stages (Johnston and Lewin 1996). The decision to buy is, in situations characterized by low or high risk, influenced by the brand of the supplier, even in B2B settings (Brown, Sichtmann et al. 2011).

When agreements are reached, these are commonly manifested in contracts. The development of such contracts is a central activity to procurement. Depending on cost structures and demand variability, suppliers prefer their customers to sign contracts at different stages of the process (Chen, Dada et al. 2017). The definition of what a good contract is also depends on market price uncertainty, supplier discounts, investment costs, and supplier capacity restrictions (Talluri and Lee 2010). Long-term contracts are not always preferred; if expected returns from commitment in long-term contracts are insufficient, short-term contracts are preferable. Organizations looking for innovation from their suppliers may pursue different contract shapes; when incremental innovation is sought after, it is advantageous to draft contracts with performance-based rewards and moderate term specificity. When innovation needs to be radical, suppliers should only be rewarded for their performance (Sumo, van der Valk et al. 2016). Contracts also define what is to be transacted and, thus, play a key role in distributing the profits of a supply chain among its

members (Li, Ryan et al. 2015). In the specific context of the defense industry, suppliers are increasingly responsible for the coordination of service support and supply chain incentivization, and the contracts usually span multiple decades (Caldwell and Howard 2014).

Implementation involves activities not necessarily performed by people immediately involved in the procurement. When a negotiation ends in agreement, ratification by people with authority is needed. Further, an ordering routine must be established, including the reception and approval of products (Cardozo 1983).

Finally, **Evaluation** of a purchase is needed for improvement, and this is commonly included as the ending stage of a purchasing process (Johnston and Lewin 1996). Evaluation involves setting and evaluating goals (Webster and Wind 1972). Common methods for evaluation include categorical methods (where performance in sub-areas is measured), cost-ratio calculations (where overhead is included in the ranking of suppliers), combinations thereof (weighted-point methods), and improvements thereupon (dimensional analysis methods) (Humphreys, Mak et al. 1998). Supplier development programs are common methods the intention of which is to improve the performance and capabilities of suppliers with which long-term relationships are the goal (Prahinski and Benton 2004).

Supplier management

Apart from activities that relate to specific procurement situations, procurement is also tasked with management activities. Depending on the nature of the contextual factors, which were discussed in section 2.1.1, management involves different tasks. Firms with strategic purchasing orientations evaluate a larger quantity of attributes and spend more effort on evaluating supplier relationships (Pressey, Tzokas et al. 2007). It seems that strategic purchasing concerns a greater deliberateness in how sourcing is made – a decision that is ongoing and not a one time-decision.

Cox (2001) maintains that the power relationship between buying and selling firms decides whether it is preferential for the buyer to focus on proactive supplier selection (low buyer power position) or proactive supplier development (high buyer power position). Power is conceptualized as the inter-dependability of parties on each other. Procurement should, according to Cox (2001), aim to put itself in a dominant position, and have the strategies to force supplier relationships into such positions. Buyers have also been shown to be able to obtain improved performance from suppliers when in a dominant or interdependent situation (Cox, Watson et al. 2004). However, it is common that managers fail to understand the true position of the parties, which leads to misalignment in relationships.

Buying organizations in a high-power position can, by definition, influence suppliers to abide to the buyer's will. One related activity is the analysis of open books and the subsequent development of actions taken based on the information gained from studying the costs of the supplier (Kajüter and Kulmala 2005, Agndal and Nilsson 2010). Criticism of pressuring suppliers for one-way concessions in the form of open books has been presented by, among others, Lamming, Caldwell et al. (2005), who argue that such one-way open book accounting mostly leads to a focus on cost reductions and is unsustainable for the supplier. Those authors, instead, propose working on transparency together with the supplier with the aim of eliminating waste and capturing value. Open book accounting can also be used for collaboration and as a risk shifting mechanism, despite being one-way (Ellström and Hoshi Larsson 2017). It serves as a platform for both parties to develop their relationship and manage risks, trust, and interdependence.

Knowledge management capabilities have been shown to enhance supplier relationship management, which in turn has an effect on corporate performance (Tseng 2014). The capability for key supplier relationship management is dependent on, and also enhances, external and internal resources for supply chain management (Teller, Kotzab et al. 2016). Key supplier relationship management mediates the effect Supply Chain Management (SCM) resources have on SCM execution. As Forkmann, Henneberg et al. (2016) argue, supplier relationship management should take different forms depending on the characteristics of the business environment and firm strategy. In a situation with few suppliers available, the development of existing supplier relationships is superior to the initiation and ending of relationships.

In summary, activities related to the management of suppliers include: managing power, developing strategies for supplier relationships in terms of when to initiate, develop, and end them, working on cost collaboratively with suppliers, knowledge management, resource allocation, and joint identification of opportunities to eliminate waste and capture value.

Procurement management

One early example of purchasing management is the arguments given by Nicosia and Wind (1977). They claim that the management of purchasing is about solving conflicts between both the firm and its surrounding environment and between internal needs. They argue that the skill of "bargaining" across internal needs and catalyzing consensus-making internally, is equally important to decision making for purchasing managers. In addition to bargaining, purchasing managers need to acquire and manage information, points of view, and needs, that, in turn, affect input market trends, technological developments, suppliers, and the own firm.

The make-or-buy decision ultimately must be made for each sourcing decision, but the alignment of those decisions with the strategy of the firm is a matter for procurement management. In its simplest form, the choice is an economically rational one, where the alternative with the lowest expected cost is chosen. Reality is, however, much more complex. Outsourcing to a single supplier might be done to strike against competitors who enjoy extreme benefits from being the sole customer of that supplier (Arya, Mittendorf et al. 2008). Outsourcing also increases the degree of specialization of actors within a supply chain, allowing them to be at the cutting edge and more effective in their cost structures, albeit also at a loss of knowledge, and higher dependency and unpredictability (Ford, Cotton et al. 1993). These authors also find that management is often not involved in these decisions, and strategies for the make-or-buy decision are commonly missing. Ramsay and Wilson (1990), looking ten years in the past, saw a trend in procurement increasingly moving towards single-sourcing and long-term contracts. They have found that such strategies are not optimal in many cases and have maintained that buyers are better off using as short as possible contracts (while still getting the desired supplier behavior), and using multiple sourcing where possible.

Market contracting, as opposed to relational contracting, has been investigated by Iyer (1996), who extended the buy class framework (Robinson, Faris et al. 1967) with the addition of a second axis mapping to the strategic importance of the purchase. Similar ideas of mapping purchasing strategy to different scenarios based on the characteristics of the supply situations can be found in, for example, the Kraljic matrix (Kraljic 1983). These ideas belong to supply management, but the management of procurement is about setting policies and processes for how procurement is to work in line with supply management questions.

The management of procurement also concerns the management of the procurement organization. Through organizing procurement around activities, some parts of procurement can themselves be outsourced (Bals and Turkulainen 2017). The make-or-buy decision, thus, not only concerns procurement for other departments of the organization but also procurement management's decision on what parts of procurement to procure externally. Bals and Turkulainen (2017) have found that activity-based procurement organizations facilitate transparency and compliance. Procurement managers' work is concerned with understanding the different actors within procurement, what tasks they are involved in, and, subsequently, to manage that involvement to streamline procurement (Lakemond, van Echtelt et al. 2001). Lambros and Socrates (2001) have studied four different industries and have concluded that procurement organizations are highly unique and customized to the challenges of their organizations in terms of mission, product type, and phase, and, thus, these organizations have

different decisions to make. These authors found that the enterprise type matters less in explaining how procurement is organized.

The aim of the article by Lidegaard, Boer et al. (2015) is to develop a typology based on processes to describe purchasing and sourcing organizations. Based on the notion that “structure follows process follows strategy” (p. 268) they have hypothesized: that uncertainty of purchasing and sourcing activities will increase the need for communication-enhancing mechanisms, such as task forces or direct communication; that the complexity of such activities will increase the need for the management of knowledge gaps by, for example, relying on experience, training, or intuition; that variety of such activities will increase competence needs; that the interdependence of such activities will increase the reliance on, e.g. task forces and committees; and that variety and interdependence together will increase the need for relying on functional teams and small project teams. Competences and coordination mechanisms are the purchasing and sourcing process characteristics used by those authors.

To summarize, procurement management involves the solution of conflicts, striking agreements between conflicting internal needs, information acquirement and management, setting policies and strategies regarding issues such as the make-or-buy decision (an issue that is often lacking in practice) and how to make sourcing decisions, supply chain management, and structuring the procurement organization fit with its challenges and corresponding needed activities.

Summary of procurement activities

The three areas of procurement activities – procurement management, supplier management, and specific procurement situations – are summarized in Figure 4. The links depicted with arrows indicate chronological succession.

Figure 4: Overview of theoretical framework for procurement activities

2.2 SUPPLIER VALUE PROPOSITIONS

2.2.1 Value propositions in procurement

As mentioned in the introduction, value propositions describe well the culmination of SAAB's Value-Based Procurement Strategy resulting in a persuasive message for suppliers to do business with SAAB. Value propositions were until recently assumed to be communicated by selling firms to their customers (Anderson, Narus et al. 2006, Rintamäki, Kuusela et al. 2007, Chandler, Broberg et al. 2014). Efforts have been made toward value-based selling through sales forces studying the customer's business model and making value propositions that fit with this model (Terho, Haas et al. 2012). Relationships have been argued to provide value for customers (Blois 2004, Terho, Haas et al. 2012) and to enable firms to better understand the needs of customers and tailor their value propositions to those customer needs (Payne and Holt 1999).

More recent investigations on the becoming of value propositions in industrial contexts conclude that value propositions are not beforehand prepared argumentations that are communicated and then accepted or rejected by customers. Instead, they are jointly designed and continually optimized by both parties (Macdonald, Kleinaltenkamp et al. 2016). This is axiomatic to views such as the Service Dominant Logic where value is co-created between the supplier and the customer (Gummesson 1998, Tzokas and Saren 1999, Vargo and Lusch 2004). The value

proposition can be seen as a starting point from which parties negotiate to create value (Ballantyne, Frow et al. 2011). Thus, supplier value propositions are one of many stakeholder-oriented perspectives on value propositions. Ballantyne and Varey (2006), Ballantyne, Frow et al. (2011) and Payne, Frow et al. (2017) all account for both customer and supplier perspectives. Payne, Ballantyne et al. (2005) suggest that value propositions can be crafted to accommodate mutual value, benefiting both sides of a negotiation. In their view, a value proposition should be “[...] transparent about to whom that value should flow and how, perceived as a fair exchange of value, delivered over a time frame longer than a single transaction, often co-created through interaction between two or more parties [...]” (Payne, Ballantyne et al. 2005, p. 864). The negotiation literature provides an insight here: some effects from business interactions benefit both parties; some are minor for one party but paramount to the other (Northcraft, Brodt et al. 1995). Practitioners of negotiation are often urged to realize and capitalize on these differences in priorities (i.e. logrolling) (Northcraft, Brodt et al. 1995, Moran and Ritov 2002). The similarities between logrolling and reciprocal value propositions are striking and suggest that mutually attractive value propositions may be easier to find when parties prioritize parameters differently.

2.2.2 The concept of value

Value propositions are theoretically built around the notion of value, and so a brief overview of this subject is in order. Value in a procurement context has received little attention compared to value in a selling context, despite that many authors have concluded that the application of a value perspective is equally viable in both contexts and from both perspectives (Ramsay 2005). Disregarding the procurement perspective means stepping away from a holistic perspective, leaving some of the value “unmanaged” (Pardo, Henneberg et al. 2006). Thus, it is critical for both parties not only to understand their own value and how to improve it but also the value of their counterpart (Werani 2001). It is tempting to view compromises as tradeoffs in parameters that create a loss for one part that is equal in magnitude to the gain of the other part, however, parties of interfirm relationships have been found to value different parameters differently (Nyaga, Whipple et al. 2010). Research on supply chain management has been criticized for being “atheoretical” by Cox (1999). Cox argues that supply chain management has focused on efficiency and effectiveness through its attention to concepts such as just-in-time and lean production, and that an application of power theory would allow the field to discuss how the value added by such concepts is appropriated throughout the supply chain. Practitioners have argued that supply chain integration is key to realizing more of the benefits (and value) associated with supply chain management and the related infrastructure, such as IT systems (Horvath 2001). Three specific genres of benefits have been identified by Smals and Smits (2012) for suppliers: (1) financial

payment, (2) knowledge and designs, and (3) reputation. Ramsay and Wagner (2009) have provided a lengthy, empirically grounded list of potential supplier benefits.

Value, for the sake of this thesis, is conceptualized to serve as a useful construct for explaining transactions and the related decisions between a buying and a selling firm. Consequently, little attention is given to how individualism affects perceived value (c.f. Zeithaml 1988, Holbrook 2006) or the human biases that affect perceptions of value (c.f. Kahneman 2003, Grüne-Yanoff 2015).

Value achievement is based on the satisfaction of needs (Brandenburger and Stuart 1996, Woodruff 1997). Needs can normally be provided in several ways. The value of an offering depends on what the next best alternative is (Oliva 2012), or on what alternatives exist in terms of offerings or relationships (Ulaga and Chacour 2001, Ulaga and Eggert 2005), and customers' willingness-to-pay depends strongly on the availability of alternatives (c.f. Breidert, Hahsler et al. 2006). Thus, the possession of scarce resources becomes a source of power, as argued from the resource-based perspective (Barney 1991) and the comparative advantage theory (Hunt and Morgan 1995, Hunt and Morgan 1996). In conclusion, value analysis must look at which alternatives are considered by suppliers and buyers.

Zeithaml (1988) was among the first authors to conceptualize value as a tradeoff between benefits and sacrifices. This distinction has since been widely used in both business-to-consumer and business-to-business literature (Ravald and Grönroos 1996), Blois (2004). Another distinction is that between value identification and exploitation (or realization/capture) (Terho, Haas et al. 2012). In the business-to-business context, Service Dominant Logic views value as realized in co-creation between supplier and customer (Gummesson 1998, Tzokas and Saren 1999, Vargo and Lusch 2004, Storbacka and Nenonen 2011).

Value exists for both parties (Blois 2004, Payne, Ballantyne et al. 2005), Ramsay (2005). Focus has traditionally been on customer value (Ulaga 2001, Golfetto and Gibbert 2006, Blocker 2011, Keränen and Jalkala 2014), but there is also value for suppliers (Walter, Ritter et al. 2001, Ramsay and Wagner 2009). An implication for procurement value is that dual value propositions are made simultaneously: provoking expectations of value for the supplier and for the own firm.

2.2.3 Procurement views related to value propositions

While value propositions have received little or no interest in procurement literature, other closely related concepts have been discussed. These concepts are discussed next.

Reverse marketing as an academic concept has not received any notable attention, particularly in comparison with the much larger field of marketing, which has focused on the sales side of business transactions. First proposed in a book by Leenders and Blenkhorn (1988), definitions of reverse marketing revolve around the buyer taking a proactive and aggressive stance toward meeting supply objectives (Plank and Francis 2001). Reverse marketing typically involves joint problem solving together with suppliers and investment in specific supplier relationships (Dwyer 1989). Thus, it has much in common with literature on the seller's point of view (Biemans and Brand 1995), particularly that of relationship marketing (Gummesson 1998, Gadde and Snehota 2000, Payne and Frow 2005).

A definition of reverse marketing is provided by Blenkhorn and Banting (1991): "In reverse marketing, the buyer tries to persuade the supplier to provide exactly what the buyer's organization needs." The same authors characterize reverse marketing as an active approach to meet ambitious supply objectives through the persuasion of internal or external suppliers, contributing to the company's strategy in the process. Cooperation throughout the organization is required along with careful planning and research, and reverse marketing takes a different perspective on the role of supply than the traditional buy, order, and expedite view. Despite taking such a new perspective, Blenkhorn and Banting (1991) still conclude by discussing implications for the industrial marketer, and return to the ranks of countless authors who take a marketing perspective on the behaviors of buyers, rather than taking the buyers' perspective.

Nevertheless, reverse marketing constitutes a step away from studying buyers to draw conclusions on how sellers can or should act, and instead studying buyer-seller interactions to draw conclusions on how buyers can or should act. Reverse marketing has been depicted as a process much in line with more traditional procurement processes (Blenkhorn and Banting 1991).

The common denominators of reverse marketing in literature (Dwyer 1989, Blenkhorn and Banting 1991, Biemans and Brand 1995, Plank and Francis 2001) can be distilled into four concepts: working in a problem-solving fashion together with suppliers, developing interfirm goals with suppliers, allocating specific assets to specific suppliers, and turning procurement into a proactive and strategically aligned task. Reverse marketing has been described as best viewed as a philosophy, and it may reduce conflict with suppliers (Plank and Francis 2001). Reverse marketing, consequently, is another label for the recently trending aim in procurement towards becoming a strategically important organizational capability.

The **Market Orientation (MO)** concept has received attention in marketing literature. Early writers on the subject portray market-oriented organizations as those "... whose actions are

consistent with the marketing concept” (Kohli and Jaworski 1990). MO revolves around understanding the costs and needs and benefits of customers and customers’ customers. Through continuous examination of the market (customers and competitors), sustainable competitive advantage can be attained, manifested in increased profits (Narver and Slater 1990) and increased resilience in economically tough situations (Naidoo 2010). Being an early adopter of MO increases chances to achieve a sustained advantage in business performance, thus, enhancing sales and profit (Kumar, Jones et al. 2011). Not all firms are in a situation where MO is preferable; MO requirements for high resource commitment demand that the ratio between benefits and costs are examined closely (Kohli and Jaworski 1990).

However, MO usually concerns the marketing perspective and, in some cases, extends to a stakeholder perspective (Ferrell, Gonzalez-Padron et al. 2010). Although such a Stakeholder Orientation (SO) includes suppliers, they are not the focus of that orientation. Nevertheless, it is evident that propositions of value can be made to all stakeholders, and that supplier-directed value propositions delivered within a reverse marketing orientation hold potential to increase profits for all members of the supply chain. The underlying principles of aligning the organization with the needs of stakeholders, particularly suppliers, are in line with the ideas of reverse marketing as well as supply chain management.

Another topic that has received academic interest is **customer attractiveness** (Schiele, Calvi et al. 2012, Tanskanen and Aminoff 2015). Similar to reverse marketing, the key to be an attractive customer lies in proposing something of value to suppliers and, in return, enjoying heightened attention levels or special treatment (Baxter 2012, Hüttinger, Schiele et al. 2012, Mortensen 2012, Pulles, Schiele et al. 2016, Reichenbachs, Schiele et al. 2017). The Supplier Market Value Proposition is recognized as one of five critical stakeholder value propositions by Frow and Payne (2011). Attractiveness explained through value is also the theme in a study by Ulaga and Eggert (2006), which examines the acquirement of preferred supplier status or, in other words, the effect of supplier attractiveness. The value proposition that leads to attractiveness can be built on very different parameters; Christiansen and Maltz (2002) look at how buyers in a weak power position can become “interesting,” or attractive, while Smals and Smits (2012) argue that suppliers may also value being involved in the innovation process of its customers for multiple reasons. Customer attractiveness is seen as another tool in the toolbox for managing supply chain and supply relationships (Ellegaard, Johansen et al. 2003). Ramsay and Wagner (2009) provide a link between customer attractiveness and reverse marketing through a study of suppliers and the sources of their perceived value. Thus, customer attractiveness is a closely related concept to reverse marketing and market orientation.

The above concepts will be arranged in the analysis as follows: A dedication to suppliers in terms of resource allocation and supplier market orientation is coupled with engagement in (1) joint problem solving (i.e. finding solutions to needs) and collaboration, both with suppliers and internally, and (2) proactivity, planning, research, and the development of joint strategy and goals. Results of these efforts include increased mutual understanding of objectives, needs and capabilities, and joint strategies and joint plans. A value proposition aimed at the supplier based on the understanding of all these factors will propose a business case for how the supplier will capture value from engaging in business with the buyer. Figure 5 summarizes this illustration.

Figure 5: Supplier value propositions and related concepts

3 RESEARCH METHODOLOGY

3.1 WHY SAAB PROVIDES A REVELATORY CASE

The Strategic Sourcing department of SAAB Aeronautics has gone through a strategic transformation that can be described as the adoption of a Value-Based Procurement Strategy.

Strategic Sourcing has adopted a new procurement strategy. With SAAB's increasingly firm strategic focus on reducing costs and moving away from developing technology internally and instead integrating solutions from other actors, the way in which Strategic Sourcing works with its key suppliers has changed. Pushing to reduce cost dramatically yet being a much smaller corporation than some of its key suppliers and competitors posed difficulties in attracting its suppliers with promises of large-order volumes or paying high prices. Instead, SAAB had to provide these key suppliers with alternative reasons to get their attention and to prioritize SAAB's needs. The responsibility for complex solutions procurement has partly shifted from the project organizations towards an increasingly strategic and SCM-oriented purchasing organization. Strategic Sourcing now shoulders the responsibility for co-development with and procurement from strategic suppliers, although it still integrates closely with the project organizations and engineers. According to its senior procurement managers, what was before a mostly operative department aimed at getting low price levels has gradually turned into a key player in the development and enactment of SAAB's strategies. Major changes have been made both to the procurement organization and to the activities that it engages in. In other words, Strategic Sourcing has adopted a different procurement strategy from before.

The new procurement strategy is based on value. Strategic Sourcing has taken a leading role in innovating relationships with key suppliers. It started to communicate the value of other aspects of being a partner supplier to SAAB; suppliers were offered benefits such as knowledge transfer, quick development cycles, and platforms for the co-marketing of capabilities. Partnerships were entered into with key strategic suppliers, and these partner suppliers were invited to plan and develop strategies jointly with SAAB. Senior procurement managers and procurement executives at SAAB base much of their managerial decision making and strategy formulation on discussions of issues such as how key suppliers can be managed to reduce supply risks, enable innovation, and collaborate on reducing costs. These are all issues that can be described in terms of value, and the managers of Strategic Sourcing frequently rely on the concept of value in their discussions with colleagues as well as suppliers. In other words, and as will be argued further in this thesis, the adopted strategy of Strategic Sourcing is one based on the value concept.

SAAB as a customer takes a leading role in the co-development of value propositions. Strategic Sourcing proactively invites its partner suppliers to discuss what they prioritize and how the parties can develop plans together to pursue jointly established goals. The parties together define their expectations of value from engaging in business with each other. In other words, Strategic Sourcing proactively works with jointly developing value propositions with key suppliers (Payne, Frow et al. 2017), and these value propositions also consider the effects on other stakeholders (Mish and Scammon 2010). Extant marketing literature often assumes suppliers to be responsible for providing value (Wilson and Jantrania 1994, Wilson, McMurrian et al. 2001, Ulaga 2003, Ulaga and Eggert 2006) and for taking an active role in proposing value (Anderson, Narus et al. 2006, Rintamäki, Kuusela et al. 2007, Chandler, Broberg et al. 2014), whereas at SAAB, the procurement function and, consequently, the customer takes the active role in making these propositions.

In summary, SAAB provides a rare revelatory case that allows an exploration of an adoption of a Value-Based Procurement Strategy and how this adoption has led to changes in the procurement organization and activities, and in supplier value propositions.

3.2 THE RESEARCH PROJECT WITH SAAB

A project between Linköping University and SAAB was initiated at the end of 2015 and engaged several research teams from Linköping University. Its overarching aim is to provide academic insights to discussions in multiple ongoing issues at SAAB, while also providing empirical access for researchers at Linköping University. One such issue is that of “strategic supplier collaborations” (my translation), and this is where my research project lies.

Strategic supplier collaborations constitute one of the key issues for being successful identified by SAAB: that of strategic purchasing. Through innovating and developing collaboration with suppliers, the Strategic Sourcing department at SAAB Aeronautics has played an important role in SAAB’s success in adapting its business to the changing global business environment. As initial discussions with senior procurement managers were held, it became clear that the procurement function of SAAB Aeronautics has adapted itself to rely on a value-based strategy to be able to propose value to both suppliers and itself. Differently put, SAAB was working with procurement and supplier partnerships in an uncommon and creative fashion, and successfully so. The strategic work focusing on value and SAAB’s way of presenting business cases for its partner suppliers triggered factors that caused me to focus on this topic.

The research track started with discussions with senior procurement managers. These initial discussions concerned procurement activities and the business cases presented to strategic

suppliers. The theoretical idea of value propositions, the conceptualization of procurement, and the consideration of stakeholder value for SAAB were all concepts that emerged over time with discussions and theoretical grounding. Interactions with SAAB consisted of the interviews that serve as the empirical base for this thesis, and discussions of concepts and ideas with senior procurement managers.

3.3 RESEARCH PROCESS AND APPROACH

A research design was chosen that allowed me to investigate these phenomena in depth: an explorative qualitative single case study (Yin 2003, Saunders, P. et al. 2007). Following this framework, I iterated between deepening my theoretical understanding of procurement and value propositions and adding interviews to my empirical base. In other words, my research approach was abductive (Dubois and Gadde 2002) in the sense that inductive conclusions informed the choice of subsequent theoretical reading and the formation of new interview questions, which in turn allowed me to make new inductive conclusions. The role of theory was initially to develop my understanding of the focal concepts and units of analyses within the procurement literature field. This understanding helped me to problematize and formulate interview questions. The role of theory in the later stages was to inform the structuring and coding of empirics. Coding was done through matching observed phenomena with existing procurement literature and literature on value propositions.

My research process is depicted in Figure 6. The research process started with the development of interview questions together with two fellow researchers who were knowledgeable in the procurement and marketing fields. Interviews were conducted, and the results of those interviews were written into case write-ups. The write-ups were sent to key informants at multiple times to establish the correctness of the texts and to not miss any critical issues. The initial interviews were coded, which suggested further theoretical areas to consider and how to develop the interview guide for upcoming interviews (a detailed discussion on the coding process can be found in Section 0). The added theory in turn helped me to develop my theoretical framework, and the theoretical framework then informed the coding by introducing established concepts and themes. Eventually, the coding allowed for the analysis to take place, which resulted in the conclusions of this thesis.

same type of phenomenon may work in different ways. This is also evident in my model of analysis, which conceptualizes both procurement and value propositions as dependent on the procurement context. Strategies and management situations have been pointed out as potential marketing field objects that can be studied with case studies (Bonoma 1985, p. 203). My aim has been to accumulate multiple interviews regarding each central phenomenon to further the reliability of my descriptions of those phenomena (Yin 2003).

My focus has been on capturing a complete picture of the fundamentals of Value-Based Procurement Strategy to allow for the first steps of paving for future theory building (Eisenhardt 1989, Eisenhardt and Graebner 2007). This study concerns the first steps of theory generation, or the “drift stage” and some of the “design stage” as described by Bonoma (1985). The conclusions contain propositions for future research to investigate further, but do not pose hypotheses, test the predictability of, nor try to disconfirm the ideas presented. These are issues for subsequent research. As the purpose of this thesis is exploratory in nature and there is very limited theory available on the subject, the qualitative evidence interviews and a workshop form the base of the research (Yin 2003).

3.5 DATA COLLECTION

3.5.1 Interviews

Interviews were chosen as the method of inquiry because the purpose of the research was to explore a poorly understood phenomenon. In research with this propose, interviews can provide insightful comments from respondents and may aid the researcher in efficiently obtaining information regarding the topic of interest (Yin 2017).

A preliminary interview guide was formed together with two colleagues, who were also part of the SAAB project, prior to the first interview with SAAB respondents. These colleagues can be considered experienced researchers in the marketing and logistics fields, and the preliminary interview guide was, thus, based on experience (Alvesson 2011). The interviews were semi-structured, allowing respondents to elaborate on their reasoning. Misinterpretation and subjectivity are risk factors of this method. Misinterpretation was countered through re-asking questions when responses seemed avoiding, ambiguous, or vague. Subjectivity was minimized by letting multiple respondents respond to the same question. The interview guide was continuously updated as our understanding of the SAAB case and my theoretical knowledge from reading literature increased. Questions that were subjective by nature were repeatedly asked of multiple respondents to establish the reliability of their answers. Questions that concerned not yet discussed issues were added before subsequent interviews.

Interviews started with background questions to get the context of the respondent's role and situation. The respondent was informed of the purpose of the research project, the roles and titles of the interviewers, and were assured that secrecy would be a top priority for the information disclosed within the interview. Next, the respondent was asked about current challenges and focus areas in his/her work. Questions about specific issues, such as Road Map Alignment or co-marketing with suppliers, were asked toward the end of the interview.

The use of recording devices was not permitted which meant that, interview answers had to be transcribed during live interviews. I was present at all interviews and was solely responsible for transcribing the interviews. My colleagues aided me through asking some of the questions and taking notes on pictures drawn on whiteboards and similar hard-to-transcribe information. These notes were later made available to me. Immediately after the end of an interview, I rewrote the transcriptions and notes into a complete text. The texts were later connected and rewritten (erasing overlaps and improving structure and language) into the empirical chapter herein, which was shared and discussed with colleagues and senior procurement managers at SAAB to establish the validity of the text. Minor changes were made accordingly.

The selection of respondents was done in collusion with senior procurement managers for two reasons. First, this allowed us to target appropriate respondents for getting answers to not yet answered questions. Second, because SAAB is a secretive organization, the approval by senior procurement management paved the way for trust-based interviews with more honest answers.

The number of interviewees was undetermined at project start. More were added as the need remained to get answers to unanswered questions or to validate previous answers with those of new respondents. In this sense, a saturation technique was used (c.f. Corbin and Strauss 2008). Multiple people from different parts of the organization were interviewed to attain a broader view of the case. The case describes SAAB's historical context, and, to capture this aspect, people with a lengthy history at SAAB were included among the respondents. Senior procurement managers were interviewed multiple times throughout the process to discuss their view of issues that were encountered in interviews with other respondents.

The interviews were conducted between February 2015 and October 2017. The twelve interviews are summarized in Table 2, with a total interview time of 29.5 hours. The workshop discussed in the next section is included in the same table. The interviews and workshop were complemented with facts from secondary data retrieved from the official SAAB web pages (Hjelm 2016) to provide richness to the history and surrounding context of SAAB. The subjective nature of these data was taken into consideration by only including indisputably objective information.

Table 2: Interviews at SAAB

Respondent role	Interview dates and lengths	Remarks
Respondent 1: Head of Strategic Suppliers	February 27, 2015. 2 hours.	Two respondents interviewed simultaneously.
Respondent 2: Senior Sourcing Executive Gripen E/F	March 6, 2015. 3 hours.	
	March 26, 2015. 2 hours.	
	August 27, 2015. 3 hours.	
	September 16, 2015. 2 hours.	
	March 14, 2018. 2 hours.	
Procurement Account Manager for Alpha	May 22, 2015. 2.5 hours.	
Supply Chain Manager for Alpha	June 30, 2015. 2 hours.	
Previous Procurement Account Manager for Beta	September 14, 2015. 2 hours.	
Head of Strategic Purchasing	October 8, 2015. 2 hours.	
Workshop on procurement value together with 8 PAMs	April 14, 2016. 4 hours.	Discussing possible value sources for SAAB and its suppliers with 8 PAMs.
Senior Sourcing Executive Gripen E/F	October 11, 2017. 2 hours.	
Procurement Account Manager for Beta	October 27, 2017. 3 hours.	

Interviews also contained discussions of multiple work process-oriented documents provided by SAAB, of which several are reprinted with permission in the empirical chapter (chapter 4).

3.5.2 Workshop

To capture the breadth of parameters included in SAAB's supplier value propositions, a workshop was held with eight of the SAAB Procurement Account Managers (the total number of PAMs is classified). The inclusion of multiple data sources allows a case researcher to "perceptually triangulate" the studied phenomenon (Bonoma 1985). The workshop was held posterior to most interviews, which minimized the influence of answers among participants. Participants in the workshop worked in small groups to discuss and present what they believed were benefits and sacrifices made by suppliers and by SAAB when entering into partnerships with one another. The workshop was also used to present preliminary analyses and to validate the results so far through a discussion with all participants posterior to the groups presenting their results.

The results from the workshop have been written from a SAAB perspective, including any normative biases of what is good or believed, as expressed by the participants. The workshop provides an insight into which parameters may play a role in forming the perception of value of both parties. However, it is also important to note that the results of the workshop do not necessarily provide information on rankings of parameter importance, how parameters are perceived, or how and how much they affect the total value for SAAB and suppliers.

3.6 DATA ANALYSIS

Interviews were first transcribed simultaneously with conducting interviews. These first rough drafts were rewritten into a continuous text with a logical disposition; responses regarding related concepts (as defined by SAAB) were grouped together. This helped with becoming accustomed to the data and starting the conceptualization work. The coding process was continuous (Dubois and Gadde 2002) and parallel with gathering of empirics. An in-depth description of the coding process can be found in the next section (3.6.1).

This thesis makes analytical generalizations (Yin 2017), meaning that it tries to move from the observations made within the SAAB case toward building the first pieces of new theory. However, this also means that this thesis is not able to replicate its findings within similar cases because of its reliance on a single case. This effort is left to be undertaken in future studies. Hopefully, the increasingly sophisticated procurement organizations (Chick and Handfield 2014) will provide better accessibility in the near future, which would allow cross-case or quantitative studies.

3.6.1 The coding process

The coding process applied in this study is presented in Figure 7, and was inspired by the work of Homburg, Jozić et al. (2017, p. 381). The initial interview guide was developed based on an initial literature consultation on procurement and marketing, and on preexisting knowledge among the participating researchers. Senior procurement managers at SAAB were asked to recommend additional interviewees as the work proceeded and new questions arose. Interviews were transcribed, and the recapitulating text was discussed and altered among the researchers. When in disagreement or doubt, the respondent was asked additional questions.

The field data was coded parallel to adding supplementary literature to accommodate for concepts that appeared along the process. This coding was then evaluated against a theoretical saturation criterion, and the process was repeated multiple times before saturation was reached. The interview guide was altered after each iteration to incorporate unanswered questions. The coding process resulted in a transformation of the theoretical framework, which is discussed in the analysis chapter (5). The coding process also resulted in the conception of the concept of Value-Based Procurement Strategy.

Senior procurement managers were, subsequently, invited to read and comment on the trustworthiness of the resulting text, and a workshop was held with Partnership Account Managers to strengthen the validity of the results. When the text was deemed trustworthy, the development of propositions began.

Figure 7: The coding process

The propositions regarding the context of Value-Based Procurement Strategy preceded the propositions regarding the activities and organization of Value-Based Procurement Strategy. Conclusions were then drawn.

3.7 QUALITY OF RESEARCH

This study is qualitative and bases its results on the analysis of a single case. A discussion follows on why these results should be considered valid and reliable (Yin 2017). This study also aims to establish trustworthiness and credibility (Mishler 1990, Flick 2014, Yin 2017) by making persistent observations and triangulating the evidence presented within it (Flick 2014). Persistent observations were made through interviewing key respondents about the same phenomena over a prolonged period (2015-2018) and by re-asking questions regarding critical concepts. Triangulation was done through interviewing multiple respondents using the same questions, by arranging a workshop to confirm preliminary findings, and by grounding the analysis and results in both empirics and theory.

3.7.1 Validity

Yin (2017) discusses validity of explorative case studies in terms of two separate measures: “external validity,” which concerns determining for which contexts the resulting theory is

applicable, and the “construct validity,” which concerns establishing how the concept being studied is what was intended to be studied.

External validity has been widely discussed in multiple research disciplines. Yin (2017) argues that qualitative researchers need to establish how their findings can be *generalized*, while Lincoln and Guba (1986) urge the researcher to give thick descriptions of the context (Lee and Baskerville 2003) in which the research has taken place so that readers who are interested in using some of the descriptions or results can establish their own understanding of the “transferability” to their research. The issue has also been approached in terms of “replication logic” (Yin 2017), which holds that a study should suggest settings in which the theory it develops can explain the observations made.

This thesis provides an in-detail description of the settings and context in which SAAB has adopted its Value-Based Procurement Strategy. Context is also a substantial part of the theoretical framework upon which the analysis builds, and so context was in focus during interviews as well as case write-up. This allowed the description of the context to be written with thick descriptions. It should be possible for the reader to determine the transferability of the results herein to his/her own research. The conclusions of this thesis are likely generalizable to studies that examine any firm adopting a strategy for procurement that builds on achieving beneficial effects for both important suppliers and for the own firm. This setting is more likely when at least a significant part of procurement is strategic in nature, meaning that it concerns critical products (Kraljic 1983) procured from powerful and important suppliers (Cox 2001). The firm studied, like SAAB in this study, does not have to term its strategy “value-based.” Value-Based Procurement Strategy is rather the theoretical lens through which procurement’s focus on needs and capabilities, and the formation of procurement activities and organization to accommodate for this focus, can be explained.

The construct validity can, according to Yin (2017), be improved by using multiple sources of evidence and having key informants review the draft. Both tactics were used in this thesis. Multiple respondents were interviewed individually and were also invited to participate in the same workshop. Senior procurement managers, who were key informants in the interviews, were invited to review the draft of the empirical chapter (4) on multiple occasions and approved its contents. Construct validity also concerns the strength and parsimony of the resulting theory (Eisenhardt 1989). This thesis aimed to develop testable propositions that could be used as a growing ground for a developed value-based theory of strategic procurement. It also aimed to

express in short and concise terms what a Value-Based Procurement Strategy is and how it is manifested in procurement activities and organization.

3.7.2 Reliability

Reliability (Yin 2017), or dependability (Guba and Lincoln 1982), concerns the consistency and replicability of the results of a study. This study aimed to be consistent in its methods to achieve sufficient rigor regarding these criteria. The methods were made dependable by leaving a trail of “bread crumbs” for readers to follow the steps taken to arrive at the results, a method called “dependability audit” by Guba and Lincoln (1982). This thesis also aimed to minimize any bias and errors (Yin 2017) by taking several measures:

- Including multiple researchers in the formation of an interview guide and in asking questions during interviews to minimize bias
- Minimizing bias and errors in the analysis by having other researchers read and comment
- Relying on a clearly formulated interview guide where answers were filled in under each question as they were received. The interview guide is classified as the questions were partly in response to discussions of sensitive information.
- Using the same procedure for all interviews in terms of introductory questions and presentation, method of taking notes, method of formulating drafts, and method for coding. This protocol (Yin 2017) is described in the Interviews section above (3.5.1).
- Clearly defining and following the agenda for the workshop. Like the interview guide, this is classified as it contains sensitive information.

It should be noted that limited amounts of classified information were shared within the interviews, under the agreement that such information would not be included in this thesis but would contribute to my understanding of the logic of SAAB. This has allowed me to get a deeper understanding and more complete picture of the mechanisms behind the SAAB case than would otherwise be possible. However, it also means that reliability in terms of replicability decreases.

A reliable theory is one that closely fits with the data (Eisenhardt 1989). The propositions generated in this thesis were built on a single case and, thus, fit perfectly with the data of that case. The reliability of this theory remains to be determined in subsequent studies of other cases.

3.7.3 Efforts to improve quality of research

I have worked to improve the quality of my research through several endeavors during my time as a researcher:

- **Attending yearly research discussion seminars within the department.** On three different occasions, my ongoing research was presented and given feedback by senior researchers within my department, Industrial Economics. This gave me insightful comments for new perspectives on how to approach my areas of interest.
- **Authoring papers for journals and conferences.** I have attended three international conferences in which I presented my work to an audience composed of renowned researchers within the marketing field, who then questioned and commented on my work. I have authored and co-authored three articles, which were all sent to peer reviewed academic journals where reviewers provided insightful comments. These comments allowed me to improve the research of this thesis. One paper has been accepted and published as of this date (Ellström and Hoshi Larsson 2017).
- **Attending doctoral courses.** Through taking doctoral courses in subjects such as qualitative and quantitative research methodology, business-to-business branding and negotiations, price models, and entrepreneurship, I have expanded my understanding of bodies of literature and their relationship, which was helpful in developing the theoretical framework of this thesis.

4 STRATEGIC PROCUREMENT AT SAAB AERONAUTICS

The global market for military grade aircraft is limited to a handful of actors. One of these is SAAB, a Swedish firm formed in 1937 to meet Sweden's needs for military grade aircraft. SAAB is a producer and developer of both military and civil products and systems. In recent times, SAAB has been active in civil security, high technology defense materials, and aircraft. For 2016, SAAB reports to have employed 15,465 people globally, a turnover of approximately 28.6 billion SEK and an order backlog worth around 107.6 billion SEK (SAAB AB 2018). This places it among the top hundred biggest Swedish firms in terms of turnover.

SAAB has since the end of the seventies gradually changed the way it acts on the global military fighter aircraft market. Sweden's previous interests in being politically neutral and self-providing in terms of military fighter aircraft technology have shifted toward interests in reducing the costs associated with acquiring this technology. For SAAB, this has meant a new focus on marketing its Gripen military fighter aircraft internationally. Being a small actor highly reliant on its home country in terms of reliable order volumes and support during sales to other countries, SAAB has shaped its market offer to not only comply with the requirements of the Swedish Defense Force but also to those of other countries around the world. Aiming for Gripen to become the affordable, high-tech, and collaborative alternative to competitors such as Dassault's Rafale, Lockheed Martin's F series, and Airbus' Eurofighter, SAAB has continuously worked with reducing its costs while maintaining the capabilities required to build such a complex system. This has involved moving from a paradigm of developing most parts of solutions internally to increasingly assuming the role of integrator of systems procured from suppliers. This chapter details the case of SAAB and the transformation of its procurement function.

4.1 COMPANY PROFILE AND HISTORY

Ever since its start, SAAB depended on the Swedish state for both political support and as a customer. Before the end of the Cold War, SAAB had strong political support and was politically urged to participate in Swedish industrial development, where it was expected to create both technological advances and jobs. The aim, at the time, was for Sweden to remain strong but neutral in its defense capabilities. Focus was on the reduction of life cycle costs and reliability in production. The identified need for a multi-role fighter plane led to the development of Gripen A/B, also known as JAS, short for "Jakt Attack Spaning" (in communication in English usually termed Air-to-air, Air-to-ground, Reconnaissance). SAAB was tasked with producing a fighter

with equal or superior capabilities to those of the previous system called Gripen, however, with half the size, weight, and cost of its predecessor.

After the end of the Cold War, there was an initial period during which defense capabilities were down-prioritized politically. This period was followed by a governmental willingness for Sweden to participate internationally in military operations as well as industrial collaborations. This willingness to collaborate internationally was shared with other countries. A strategy was adopted that aimed to develop Gripen C/D with the technical capabilities to integrate with international processes and systems. In this manner, Gripen C/D was expected to be able to not only take part in international military operations but also be exported internationally, sharing some of the development costs that would have to be paid by Sweden alone otherwise. The Swedish Defense Materiel Administration (abbrev. FMV in Swedish) had previously acted as an influential standards authority for SAAB and played a role in the demands on the technological capability to interact and integrate with international systems. During this period, SAAB started working and exchanging knowledge with other military airplane manufacturers, and a Gripen delivery contract was signed with South Africa.

4.1.1 SAAB's supply chains, markets, and business models

SAAB's customers mainly consist of national governments and their related stakeholders such as the industry sector, the military, local universities, and logistics companies. This is particularly true for complex, large orders such as those related to the Gripen system. Depending on the product area, system complexity, customer group, and geographic market, SAAB uses different business models. For complex defense orders, which is the theme of this thesis, SAAB is the direct supplier of whole systems to its customers. These solutions may include service, training, support, and upgrades. The timeframe usually spans many years, and orders are characterized by a high degree of customization and development specificity, and industrial collaboration with actors within and outside the customer country. SAAB also uses business models that involve acting as a subcontractor and having its systems integrated elsewhere, and it also uses business models in which it provides standardized products such as ammunition or civil airplanes.

SAAB – just like most other firms – has suppliers of different kinds. These include suppliers whose products are available in abundance and easily switched out, to key components and systems providers who are critical to keep. SAAB's suppliers too, often act on markets that are highly influenced and/or regulated by national governments. For complex orders from customers, SAAB has moved towards acting as an integrator and systems manager, which has increased its sourcing risks and made it increasingly dependent on its suppliers to deliver as

expected. This has also been a driver in the introduction of supplier partnerships and the joint development of working procedures.

4.1.2 Economic factors influencing SAAB

The markets in which military airplanes are sold are influenced by wars, threats, and security issues. These factors influence the willingness of governments and populations to allocate part of their budgets to investments in defense systems. As conflicts end and begin, the demand for SAAB's products shift to other parts of the world. Defense budgets have, on average, decreased. SAAB's customers increasingly ask for cost-efficient and dynamic solutions, which has led to a differential advantage for SAAB compared to more expensive solutions. This is also true for newly developed countries such as India, which look to establish themselves as a military power, but, despite their economic muscles, look to spend their money wisely.

SAAB must be aware of these changes throughout the sales process. The economic situation at the time of decision can be completely different from the one at the time when negotiations were initiated. Not only do conflict and public opinion matter, but also economic booms and recessions, exchange rates, and relationships between countries. The military aircraft market was previously characterized by offset agreements. However, during recent years, this phenomenon has gradually converted into a focus of countries on the transfer of capabilities and knowledge, and on becoming involved with and interdependent on each other.

4.1.3 Technological factors influencing SAAB

Military aircraft development is characterized by lengthy development cycles, spanning over multiple decennia. The possibilities and demands often change drastically between the start and end of development projects. In addition, multiple versions of the Gripen systems are maintained in parallel, further increasing the complexity of balancing new and old technology. To solve the need for upgradability and testability, simulators have played an influential role in the development of Gripen. Simulators are also used for training, both before and after development has ended. The lengthy development cycles, in combination with customer demands for a system that can be assembled by and integrated with different manufacturers and actors, have led SAAB to adopt a module-based philosophy of working. Modularization allows SAAB to change parts of a system without affecting other parts in unexpected ways.

The Gripen systems are a mix of hardware and software and must be compatible with international standards. Additionally, FMV has strict regulations on military aircraft, demanding that SAAB can guarantee certain levels of functionality on various subsystem levels in various

conditions. The related documentation and certification procedure has become defining for working procedures at SAAB.

The complexity of the product demands highly qualified employees. SAAB's staff is engineer heavy, and a constant priority is to keep and train capabilities in-house. Twelve critical capabilities necessary for producing fighter jets have been identified by SAAB, and these are used as cornerstones in the development of firm strategy.

4.1.4 Culture and geographic factors influencing SAAB

The internal culture at SAAB has been described by its employees as one of extensive individual freedom to explore and develop ideas. Individuals are urged to question and refine ideas, independent of and transcending hierarchical levels. Bureaucracy is low, and employees feel pride in working at SAAB, in SAAB's heritage as an innovative and high-technological firm, and in belonging to a small actor successfully fighting against much bigger competitors on the global market.

SAAB employees frequently work with people from other cultures. Thailand, Czech Republic, South Africa, and Brazil, are all customers with which SAAB works closely, and the recent shift towards marketing capabilities in addition to technology further tightens interorganizational interactions. This is also true for the supply side, where collaboration with international suppliers increases. One concern of SAAB is with understanding and being able to work with multiple different cultures while retaining a strong internal culture, which is seen by some as a key to succeeding at what they do.

In addition to cultural distance, SAAB also works over great geographic distances. Customers, suppliers, and internal offices are all spread around the globe - a necessity in the globalized fighter plane market according to SAAB.

4.2 SAAB'S STRATEGIC CHALLENGES IN THE 21ST CENTURY

In the beginning of the 21st century, national interest in further development of the Gripen system was low. Focus was on export, and Sweden focused on international cooperation with the EU and UN. The Swedish Armed Forces were downscaled and started outsourcing some training and maintenance. There was also some governmental support for SAAB's development of civil applications. With the developments in Russia and its international movements after 2010, the Swedish Armed Forces have ordered additional units of Gripen C/D, pushing SAAB towards the new needs of adoptability and flexibility in addition to cost effectiveness.

Coming from a background of strong economic support from the Swedish government and a sole domestic customer consisting of the Swedish Armed Forces, SAAB was used to developing and manufacturing most of the needed technology internally up until and including the Viggen system that preceded the Gripen A/B system. FMV defined what was expected, and SAAB developed and provided those needs. In the few cases in which SAAB did not develop and manufacture the needed modules themselves, they were provided by the customer, FMV. With the shift towards weaker economic support from the government and the introduction of additional foreign customers, the internal development of technology was questioned. It was argued that not only did SAAB “re-invent the wheel,” but it was cost inefficient in doing so. In particular, as financing budgets were slimmed, internal technology development became one of the scapegoats for capital intensity. At the same time, demands on capabilities and advancements in technology increased. Countries were looking for extended functionality in areas such as surveillance and intelligence.

With the development of what had previously been classed as third world countries, the global market presented itself with new opportunities to gain customers. While countries in Europe increasingly sought international collaboration, countries in Asia, Africa, and South America made quick journeys into industrialization and became international heavy-weight nations with a defense need of their own.

4.2.1 SAAB’s company strategy as a response to these challenges

As a response to the national lukewarm support during the early 21st century, SAAB focused on increasing its efficiency in working processes and securing the twelve critical capabilities identified. Focus was also on the capability to work collaboratively with similar actors in other countries. The aim was to take a global market position as a reliable but life-cycle-cost affordable alternative. A position as technology leader was impossible given SAAB’s size and budget, but it was nevertheless necessary to stay close to the leaders on that parameter. A manager at SAAB has described this: “we present what could be compared to a Formula 1 at the price of a Volvo car.”

To show what the Gripen system could become with further development and what was possible without large up-front investments, a demonstrator called Gripen Demo was developed between 2006 and 2008. This initiative gathered key suppliers who provided materials free of charge for the development of a prototype airplane, which was considered a great success and allowed the start of development of the next generation of military grade aircraft, called Gripen Next Generation, or NG (later renamed Gripen E/F).

SAAB also initiated several streamlining and rationalization measures to reduce cost and secure sustainable profitability under the program name The Billion Project. This involved an aim to free resources and capital and to establish a corporate culture adapted to international collaboration. The results of capital rationalization efforts included a financing solution that allowed FMV to order further development of the Gripen Demo.

4.3 SAAB'S STRATEGIC SITUATION AS OF 2016

New conflicts have emerged in the new millennium; terrorism has become a world threat, but there have also been movements in Ukraine and Georgia that have influenced the Swedish political view on a strong defense. Support has increased based on a willingness to, once again, be able to independently defend the country against Russia and on a willingness to increasingly participate in international initiatives within the EU and UN. SAAB has seen an increase in political support for the Gripen program and its submarine business, SAAB Kockums. The world's recovery from the economic recession has been slower than expected, which has led to tough competition among actors on SAAB's markets.

SAAB has been described by its managers as accurately characterized by three traits: an extremely detailed and partly externally controlled compliance process, drawn-out development projects, and focus on sustainable cost cutting. The compliance process is argued to be a necessity for SAAB to continue existing. Nonetheless, this process is both costly and time consuming.

The development projects are increasingly characterized by close collaboration with other actors. SAAB interacts with customer countries' military and with their educational systems, universities, and research endeavors, and in development with suppliers. The projects are planned through budgetary work and through road map discussions with external stakeholders.

There is strong interest, both internally and from stakeholders, in the technology being future proof. SAAB implements strategies for how and when technological steps should be taken, and different levels of development are considered. To succeed, much work goes into need analysis together with FMV and the Swedish Defense Forces, but SAAB is also looking into how the Gripen system may be collaboratively developed with other actors. The aim is to share costs among many stakeholders. The Swedish government shares this interest and has demanded that costs for Gripen E be shared with at least one other stakeholder. Thus, the project with Brazil has been of utter importance to making the Gripen E project possible. In other words, multiple stakeholders' needs had to be considered for Gripen E to become a feasible project.

SAAB maintains two overarching key aspects of successful sales of the Gripen system: local political support, and an effective product. Strategic imperative is on presence in key markets, focusing on certain product areas, becoming further cost effective, maintaining corporate culture, and ensuring that the product integrates and is compliant with international systems and standards. Cost must be shared with both suppliers and customers. The module and system mindset must permeate corporate culture to ensure performance on the integrability issue.

Customer need analysis is done on a detailed level and to understand customer value; the main sources of customer value are identified as low life cycle costs and reliability. Gripen aims to be a high-tech, versatile, politically independent alternative to USA offerings, with a focus on intelligence, compatibility, and training. Uncertainty in future threats is dealt with through the delivery of continuous upgrades instead of mid-life upgrades. SAAB further aims to argue for and enhance ripple effects from buying Gripen through industrial development, new job opportunities, research, and new networks. Countries value the opportunity to have their defense capabilities become independent on other countries.

4.4 SAAB'S ORGANIZATION

Through dividing sales and marketing into five geographic areas, SAAB strives to have a strong local presence on all continents. These five geographic areas are: Nordic and Baltic; Europe, Middle East and Africa; North America; Latin America and Asia Pacific. The geographic slicing is complemented with a business area slicing: Aeronautics; Dynamics; Surveillance; Support and Services; and Industrial Products and Services. Added to this is the submarine business of SAAB Kockums. Group functions are provided in parallel at this level: Finance; HR; Communication; Legal affairs; and Strategy. The business areas also report to internal boards that deal with specific questions on behalf of the group management; the internal boards are: Finance Board, Strategy Board, Ethics and Compliance Board, Communication Board, Corporate Responsibility Council, and Security Board.

Apart from sales and marketing efforts, the Aeronautics business area is completely located in Linköping, Sweden. Within this business area, the management of Aeronautics operations commits to deliver internally to the Aeronautics program management. In other words, Aeronautics operations are autonomous. They engage around 2,700 of the 3,000 employees in the Aeronautics business area. SAAB argues that the geographic closeness of all Gripen development promotes quickness and familiarity, which in turn enhance trust between employees and improves their ability to work in teams.

The Aeronautics organization is further divided with a matrix philosophy. Technical areas are used orthogonally to functional areas, and this slicing is combined with information management. Networks are organically formed across slices, and these networks have proven to be effective in adapting to changes and problems that pop up. New people can be located and involved as needed by means of task forces instead of involving management in allocating resources, which may be costly and ineffective according to SAAB.

SAAB's organizational culture is characterized by high levels of individual freedom and responsibility and the possibility to influence upwards in the hierarchy. It is argued by SAAB that the company mentality, which stems from a combination of SAAB's heritage and Swedish culture, is a unique combination that is hard or impossible to copy by competitors.

4.5 THE HISTORY OF PROCUREMENT AT SAAB AERONAUTICS

Up until the end of the last millennium, purchasing at SAAB was often characterized by a dialogue between engineers and suppliers, from which the results were then handed over to purchasing to be formally ordered. Purchasing departments did not have much say in questions regarding pricing, supplier selection, or technology selection. The purchaser bought what the engineer was asking for, and purchasing was nothing but the procurement of materials through ordering and contract work. Purchasing was organized by purchasing groups, and the chief of procurement was at the heart of things, but financing came from the projects. Engineers also developed many necessary parts internally, and for those parts that were procured, engineers were in control of what was to be procured. Purchasers were not involved until late stages, and commercial questions were not dealt with accordingly. At times, engineers had not realized what the increase in cost would be until the agreement had been signed. Consequently, SAAB bought unnecessarily expensive solutions or failed to buy what had already been developed by suppliers and instead "invented the wheel on their own." (Senior Procurement Manager at SAAB) Additionally, purchasers focused more on securing supply than lowering costs. For the many parts that were manufactured internally, internal standards were followed that were set for "the very best" and not "good enough."

The work with reducing costs and looking outside the SAAB organization for solutions started with the development of the first generation of Gripen in the late seventies, but it was not until the end of the nineties that purchasing took its first steps toward transformation into a strategic, coordinated, and proactive function. In the nineties, around the time of SAAB 340 and SAAB 2000 (the last civil aircraft made by SAAB), management at SAAB realized that purchasing largely impacts the price of the final product; purchasing was merely a matter of minimizing the cost of

buying whatever was specified by engineers. The first supplier to take a share of the sales risk of SAAB was a provider of a vital part for SAAB 2000 and who was promised slightly more than 20 percent of the airplane sales price as payment. This model worked poorly but was nevertheless a change in how purchasing worked.

The next step towards adopting the new procurement strategy was with the wing manufacturer for SAAB 2000, who was about to invest in SAAB-specific development. SAAB offered a refund of the investment in the event of a disappearing market as a guarantee to motivate the wing manufacturer to invest. This was in stark contrast to common practice back then; suppliers were used to being at risk to the extent that SAAB had an exit clause allowing them to withhold payments to suppliers in the event of a disappearing market. With their wing supplier, SAAB took a step in the direction towards current purchasing practice, which offers business cases to and discusses beliefs in the market together with suppliers. Increasing pressure from SAAB's customers on SAAB to take some of their risk was an influential factor in the move SAAB took towards demanding investment from their suppliers. Senior purchasing management at SAAB looked at the automobile industry that had gone towards risk sharing some ten years before SAAB's transformation.

4.6 THE CHANGE TOWARDS VALUE-BASED PROCUREMENT

The prominent driving factor in the change of how procurement is done at SAAB was the requirement by the Swedish government that a new generation of Gripen be significantly cheaper than the last generation. This requirement was introduced with the first generation of Gripen in the late seventies. SAAB's achievement in cost reductions was termed "breaking the cost curve." However, the first generation of Gripen (A/B) was made solely based on the needs of Sweden, driven by the defense budget and political factors. For the next generation (C/D), focus shifted towards the "NATO-fication" of the Gripen system, but directives remained to reduce costs significantly. For Gripen E/F, demands were once again cost-focused and included a directive to share the development costs with at least one other actor. A companywide business strategy to reduce costs, called the Billion Programme, was inherited by the Aeronautics division, who would call their part of the program "Gunder." Cost levels in general and financing were determined to be important questions. Consequently, the need to find new ways of financing the development of future generations of Gripen has been a driver in the establishment of strategic partnerships with suppliers. External consultants were invited to develop rationalization measures, and 50 percent of costs for a Gripen fighter were tied to the procurement of materials. In other words, procurement was viewed as a central area for potential cost improvements.

In 2008 when the Gripen Demo was to be developed, FMV wanted SAAB to start taking advantage of the industry's capabilities to reduce costs. The cost curve breaking goals were set at a 30 % reduction from the Gripen C/D system. This ambitious goal was a driver in the birth of the idea of having procurement look for existing solutions on the market; a concept that has later been termed buying "COTS" (Commercial off the shelf). Suppliers were invited to participate in the development, and SAAB managed to get most of these suppliers to provide the materials for the demo free of charge through marketing Gripen Demo to its suppliers as an opportunity to display capabilities and hopefully later being invited to develop the successor, Gripen NG (New Generation, renamed to models E and F). When marketing the opportunity to participate, discussions were based on a business case of 200 airplanes, the development of standardized products, aligning roadmaps, and the investments of the supplier. The goal was to show each supplier how they feasibly would regain their investments. The default argument for supplier discussions was that the supplier was to make all investments and regain these on a large volume of standard products, but this argument had to be revised for parts where customizations for SAAB were necessary to a higher degree.

The aim and vision for Gripen NG was a total cost reduction of 30 percent compared to Gripen C/D, counting both development and cost per airplane. Failing to achieve this goal would mean that Swedish customers would not be able to afford the new model, which was not a feasible option. This drove the subsequent focus on demanding risk sharing from suppliers. When purchasing strategies were formed around the new version of Gripen, the cost-cutting foci drove the formation of a new view of purchasing, and a parallel generation shift among the employees in SAAB's purchasing division likely helped with adapting to the new environment. Nevertheless, a need to reorganize existed, and some members of the former purchasing organization, who were deemed unfit to make the transition, were displaced or offered early retirement. One hardship was getting suppliers, who were used to being paid in advance, to accept the investment demands.

SAAB wished to draw on some suppliers' development capabilities. Through early development involvement, the up-front need for capital was reduced, but a deeper commitment from the suppliers also had an effect. Additionally, SAAB saw commercial advantages to entering into close collaboration with certain suppliers.

Another challenge face by SAAB procurement in 2017 was "taking the next step in the procurement cycle," as expressed by senior procurement managers. The Gripen E/F project has advanced to a stage where suppliers need to deliver some of the actual products. At this stage,

unforeseen consequences not taken into consideration during the long-term planning stage may arise. Procurement's focus, problems and challenges, incentives, power position, people and teams involved, and activities, all change as long-term large projects proceed. Consequently, the contents of the work of procurers change. Adjustments must be made, and discussions arise on who is to pay for the adjustments.

4.7 STRATEGIC SOURCING'S ORGANIZATION AND ACTIVITIES

Senior purchasing managers at SAAB maintain that the organization has not changed that much despite the changes in how procurement works. It is instead the activities that have drastically changed. The organizational changes followed as an accommodation to the newly introduced, drastically different activities. Many of these changes occurred around 2010-2011 when, among other things, the role of Partner Account Manager, or PAM, was introduced. The PAM is responsible for a strategic supplier with partnership status and all activities related to that supplier; it is comparable to the more common Key Account Manager (KAM) role prevalent within sales organizations (the PAM role is detailed in the section *The PAM role*).

The changes in activities within the strategic purchasing department have been radical. What used to be a "reception of raw data from engineers" has become much more strategic and integrative. A change of people to improve the performance level of purchasers was a strategic statement crucial to successful implementation of this integrative model of purchasing, according to SAAB's senior purchasing managers, who also maintain that the change process certainly has been as rewarding and developing to suppliers as it has been to SAAB. Purchasing at SAAB did not use to hold a strategic position within the company. It is a role that has been earned through working with and performing well at cost reductions and supplier integration. Responsibility for large suppliers was previously assumed by the program management. This responsibility has now been moved to the purchasing department. Another change is that purchasing, which did not have a say in what materials should cost before, now makes a bigger internal commitment.

The strategic sourcing department of SAAB Aeronautics is organized as in Figure 8, which has been anonymized. It goes under the call sign TSK internally at SAAB. The vice president of strategic sourcing is a member of the directorate of SAAB Aeronautics, and the job includes taking formal responsibility, managing the formal organization scheme, and contractual issues. The vice president of strategic sourcing is also a member of the Procurement Council, which is a central organization involving all purchasing managers at SAAB and aims to develop general strategies for procurement issues for all of SAAB. The strategic sourcing department of SAAB Aeronautics has been influential in how other procurement departments work at SAAB. Beneath the vice

president are managers responsible for different functions such as strategic suppliers, project, follow-up and budgeting, and production, and line managers. Line managers are responsible for personnel issues, while the functional managers deal with business and strategic issues.

Figure 8: SAAB Aeronautics Strategic Sourcing organization, courtesy of SAAB

Each purchaser has a line manager as its chief and takes responsibility for a purchasing team. Additionally, the purchaser may have a functional responsibility. One example is a purchaser who also oversees the Gripen E/F program at the procurement level. The purchaser and its team are members of development projects running across SAAB Aeronautics (such as the Gripen E/F project) and, thus, have project leaders to report to as well.

The purchasers present an individual suggestion for how to run the strategic procurement of which they are in charge. The suggestions are discussed and approved by the functional manager of strategy. This procedure is the same regardless if the supplier is classified as a partner supplier or not. Once a month, the strategy plans are followed up on and discussed with each respective purchaser and the functional manager of strategy. During these follow-up meetings, the purchaser prepares and presents how Management Review Meetings have played out, what current strategic challenges are, and a road map that is based on the Roadmap Alignment work with the supplier (more on Review Meetings and Roadmap Alignment in the section *Joint planning* below). This road map should also fit with SAAB's internal road map. During these monthly meetings, the ambitions outside the scope of SAAB of the supplier are discussed. SAAB aims to conclude if there are opportunities to collaborate around such ambitions and if SAAB could contribute through its product development.

A Strategic Supplier Council assembles twice a week. This board-like Strategic Supplier Council functions as an approver of succession between steps in the procurement projects following the procurement process (more on the procurement process in the section *SAAB's procurement process*

standard). The Strategic Supplier Council consists of representatives from the different programs and development projects and is the way in which SAAB Aeronautics’ strategic sourcing has operationalized the decision making required by the procurement process framework.

Procurement does not directly work together with sales at SAAB Aeronautics. However, procurement produces information that is provided to the analytics department, which in turn produces a cost sheet that sales then uses in its work. Sales also provide prognoses for procurement that are used in argumentation towards suppliers.

The PAM role and its counterpart, the supplier’s KAM, are the most central nodes in the network between SAAB and its suppliers, but their interactions are far from the only contact point. Instead, PAM and KAM manage and orchestrate other parts of the interface for the collaboration to run smoothly. SAAB agrees that this is a “diamond” rather than a “bow-tie,” with multiple engagements throughout the diamond at any given time and the PAM playing the role of “spider in the web” rather than a filter or pipe through which communication must pass (see Figure 9). SAAB also partly attributes a well working strategic partnership to keeping interactions between people on the same level in the hierarchy at each firm. For example, management should interact with management on the same level and hold corresponding levels of decision mandates. This philosophy is reflected in the different levels of review meetings held between SAAB and its suppliers on a regular basis. Issues can be escalated throughout the hierarchy as appropriate but should first and foremost stay in the forums they concern (Figure 10).

Figure 9: SAAB's bow-tie-like interface with partner suppliers, with illustrative connections

Figure 10: Levels of interaction with partner suppliers, and the corresponding meetings, courtesy of SAAB

Senior purchasing managers at SAAB maintain that, for a strategic supplier partnership to work as intended, management on the supplier side must approve and advocate for the relationship. SAAB facilitates vertical integration through the control of contact interfaces and the appointment of a PAM. Of importance are also the project culture and people within projects and their satisfaction with working together. Different levels of the hierarchy need different kinds of arguments; communication – in particular why a relationship with SAAB is of value – is crucial to gain the approval of suppliers’ management.

SAAB purchasing managers clearly see a connection between getting the attention of the supplier’s management and the general quality of the relationship. If top management of the supplier can be convinced of the value of working with SAAB, this hospitality trickles down to people in other parts of the hierarchy. In this manner, many obstacles can be avoided later. In the cases where SAAB has been unsuccessful in gaining the interest of managers from the top of the pyramid, the endeavors between the partners become ineffective. Another problematic issue is that employees of SAAB sometimes assume that, since they can talk to their superiors and agree on what has been decided between SAAB and its supplier, their counterparts on the supplier’s side can talk to their superiors in the same manner. This has sometimes led to SAAB failing to

reach agreements on the correct level because getting the approval on the supplier side for the decision took much longer than was expected.

The strategic purchasing process not only engages the strategic purchaser and PAM roles at the strategic purchasing department but also two roles within the production organization: The Ordering Expedite (OE) and the Supply Chain Manager (SCM). Orders are made by the strategic purchaser and the OE, and these are then followed up by the SCM, who also is responsible for working with supplier development. Another supplementary purchasing organization (category purchasing) handles the purchasing of independent articles. This purchasing department is a sister department to the production department. An anonymized picture of the supply management organization of SAAB Aeronautics is displayed in Figure 11.

Figure 11: SAAB Aeronautics supply management organization, courtesy of SAAB

The head of strategic purchasing at SAAB believes that the new purchasing mentality, culture, and ideas that have emerged in the 2010s have sprung from the programs in which new airplane models have been developed. Customer agreements, the global political environment, and influences from people coming from other industries into these programs are all factors for how company culture has been shaped over time.

The culture is of value to supplier relationships. Independent teams make quick decisions at SAAB. Working with these teams is valuable to suppliers as the teams' agility rubs off on suppliers. SAAB purchasing management argue that SAAB's procurement teams are considered to be different from those of competitors, as agile and distributed decision making is typical for Swedish culture and the SAAB tradition.

Several activities that have been highlighted by SAAB purchasers as central to their work with strategic suppliers are detailed below. SAAB has concluded that many activities in the work of strategic purchasing revolve around close collaboration, for example, in terms of culture, relationships between people, joint planning to mitigate risk, joining technical competencies, sharing investments, and jointly understanding the surrounding market and environment. Suppliers are frequently invited to participate in the strategic work at SAAB. One example is the Gripen team, where all USA suppliers meet twice a year and discuss joint strategy. A similar event is held in the UK with briefings on SAAB's current situation, market, and plans. One looked-for effect by SAAB from such events is to gain political support from their suppliers.

4.7.1 The PAM role

SAAB's strategic suppliers with partnership status get a designated account manager, called a Partner Account Manager (PAM). The PAM has a coordinating role and represents a key contact point for its supplier. These suppliers also get a sponsor within management at SAAB to provide direct access on a high level. SAAB has less than a dozen PAMs and corresponding partner suppliers. It is important to SAAB not to inflate the number of partner suppliers as this would hollow the meaning of partnership. PAMs meet with purchasing management monthly to synchronize their strategic endeavors.

Responsibility for numerous tasks is part of the PAM role. The complexity involved with the development of the Gripen system demands close cooperation between engineers, not just internally but between SAAB engineers and those of its suppliers. Such cooperation, in turn, leads to new challenges; the cooperation between engineers must be coordinated, and costs must be allocated and kept at reasonable levels. The PAM role at SAAB is one of the keys to tackling these issues. Historically, SAAB has mostly manufactured what it needs internally, and when reaching out externally to source parts for its airplanes, only the very best has been accepted as good enough. Despite recent demands to lower costs, the culture of the engineers can at times lead to them asking for more than what is needed. It falls on the PAM to monitor what engineers purchase, and support those who have difficulties in buying "good enough" parts and systems. Not only can this behavior lead to costs associated with buying functionality that is not needed, but it can also force the supplier to develop functionality that only SAAB needs and cannot be sold as COTS later, which leads to uncovered costs that must be covered by SAAB or the supplier. In other words, the PAM acts as a mentor and support in communication between internal buyers and the supplier.

The PAM is also responsible for coordinating the different purchasing departments within SAAB Aeronautics: strategic purchasing, category purchasing, and support and services. For some supplier relationships, the SCM aids the PAM with handling communication with parts of the supplier organization. In addition, the PAM must tackle the challenge of managing the breadth of cooperation between SAAB on a firm level and its supplier, which often provides large ranges of parts and systems. Suppliers provide not only to Aeronautics but other parts of SAAB as well; SAAB Dynamics, SAAB Kockums, and SAAB Support & Services all share many of the suppliers with SAAB Aeronautics. The aim of the PAM in this context is to achieve synergy effects through bulk buying and to demonstrate to the supplier that SAAB is an important customer. Digital tools that log all formal contact with suppliers are used by SAAB, and these tools help the PAM coordinate its work.

Supplier development and delivery responsibility are also tasks of the PAM, who coordinates everything from relationship management through technical collaboration to finance and contracts. The PAM delivers a strategy for how to secure current commitments as well as the development of new joint endeavors. These strategies are scrutinized by the Strategic Supplier Council and develop iteratively.

Perhaps most importantly, the PAM arranges for information to be exchanged between the parties. Through frequent discussions characterized by mutual trust and transparency, the parties inform each other about business opportunities, prognoses, plans, and the current situation. The supplier is invited to take an active role in directing SAAB's business direction. The aim is not only to enlighten the parties, but also to foster trust and confidence in the plausibility of SAABs business plans. This confidence is key to the arguments SAAB make when presenting a business case to its suppliers.

No one at SAAB reports directly to the PAM, which means that the PAM must reach out to others. It has been important to set up meetings with everyone involved on a regular basis to manage communication for the PAMs, but SAAB also strives to make their suppliers more proactive on this end. Most PAMs work at the Linköping site. Once per month the PAM's meet and discuss what the current situation is to learn from each other's experiences. Reuse of smart solutions is not uncommon.

4.7.2 Joint planning

Road Map Alignment

A central activity in the work with partner suppliers is Road Map Alignment (RMA). The aim of this is to join the technological plans of SAAB and its suppliers. As SAAB started to strive to buy COTS, a need to move away from specifying what the supplier should develop arose. With RMA, SAAB intends to communicate what its needs will be within a ten-year period to propel the technological development of suppliers in that direction. The supplier is invited to SAAB and brings specialists from product areas that have been identified as potential future needs, and SAAB matches these specialists with their own. These meetings are held both separately and, more commonly, at the same occasion as other types of meetings, because bringing people from overseas to sit together is costly. It is common for SAAB specialists to be experts on current applications but know less about future potential. RMA is a forum for two-way communication; SAAB explains what it thinks its needs will be, and suppliers explain what they are planning. A toolbox with predefined activities and topics to discuss has been developed by SAAB to help with the arrangement of RMA meetings.

SAAB's vision to buy standard products, or so-called Commercial-off-the-shelf (COTS) products, will likely never be realized fully, as the products made by SAAB demand customization to a certain extent; or as a senior purchasing manager at SAAB put it: "COTS is somewhat of a utopia since we build not regular cars but Formula 1 cars." Thus, purchasers at SAAB cannot only strive to buy COTS but must balance this against correctly buying the needed functionality. Electronics, for example, is a fast-moving technological area, which means that SAAB will change electronics multiple times during an airplane development cycle. Purchasing electronics, for that reason, involves procuring electronics that are near but not completely standardized products, but that can be replaced during the development process (meaning that the supplier cannot sell more than a few of each product in total if they are customized for SAAB). Purchasers and engineers work together iteratively in "skunkworks" to continuously plan and accommodate for standardization and customization. SAAB also works together with suppliers to reduce the costs associated with this balance between standards and custom fits, mainly through RMA.

SAAB has realized that suppliers value low risk and predictability, but this interest clashes with investing considerable amounts of money in something that is partly customized for SAAB and therefore not general enough to sell to a bigger market as-is. The RMA meetings constitute a forum in which both parties can approach one another gradually in terms of technology. SAAB gains understanding of what can be bought to stay close to the standard offers of the supplier,

and the supplier gains understanding of what can be developed to provide to both SAAB's needs and those of other customers. Together, the parties develop a range of products. RMA meetings frequently involve specialists in the different technologies being discussed. These meetings are planned by the PAM, and parties are invited half a year in advance.

Involving the supplier in all parts of the process helps SAAB in its planning and, more importantly, improves suppliers' trust in SAAB and helps them to push more of the risk backwards at their own suppliers – SAAB's sub-suppliers. Suppliers also seem to appreciate the verbose and explicit contracts developed by SAAB; these contracts are thought of as a product offered to suppliers that helps them lower their risk when working with SAAB. The contracts contain much of the working culture at SAAB. This culture has proved to be an advantage when working effectively to cut costs, and suppliers seek to rub some of that culture off on their employees. The contract plays a role in transferring some of that culture.

An explicit process with defined stages and activities has been developed for the RMA meetings. This process is a predecessor to the procurement process, and it can be viewed as the means through which SAAB discovers what it is that they want to procure. Prior to holding RMA meetings, SAAB also goes through a process of so-called Technology Sourcing (TechSource). During this early stage, SAAB independently seeks information about what technology is available. This work mainly involves engineers, however, people from the strategic purchasing department are often involved. When working with Gripen A/B and Gripen C/D, engineers wrote a technical specification for a certain gadget. Purchasing proceeded with procuring said gadget at a favorable cost, but there was little problematization of whether or not the specified solution was optimal in terms of stimulating the right type of demand from the supplier, or from a sustainability or upgradability perspective. As for Gripen E/F, engineers have gone towards specification of functionality over properties. This move is a link in the chain of moving towards buying COTS.

RMA meetings can take one of three perspectives. The first perspective is to discuss a certain technological area, such as air systems. Second, the supplier's product portfolio can be a departure point. Last, RMA meetings can be held with new and unknown suppliers. SAAB strives to run RMA meetings with all strategic suppliers with partnership status, and markets the concept towards them, but the actual extent to which these meetings are held varies.

The stages of the RMA process are: identification (including the Technology Sourcing process), engagement of suppliers (often through Management Review Meetings and Executive Management Review Meetings, which are designed to engage people on different levels of the

hierarchies of SAAB and its supplier), preparation of a workshop (mapping needs to suppliers' capabilities), conduct the workshop, and evaluation (including analysis of how to initiate the next step). This is followed by a possible initiation of projects and the establishment of contracts. By looping the RMA process, steps are taken on the Technical Readiness Level scale. A funnel has been suggested by SAAB as a good picture of how RMA works. Technologies are rated on a Technical Readiness Level, an instrument that measures the matureness of a technology. RMA aims to facilitate a climb in readiness level together with the supplier, from basic research stages towards stages where established systems can be integrated into products. This is done together through conducting studies, developing demonstrators, or developing finished solutions, and this progress can be viewed as a funnel.

Information needed as input to the RMA process is retrieved partly from the Business Intelligence portal at SAAB. This portal contains a compilation of external information for use internally at SAAB. The information is compiled by SAAB's sales and marketing departments. There is no business unit that specializes in such intelligence work, but the sales and marketing departments are competent at this task according to the strategic purchasing department.

RMA involves holding meetings with suppliers. When meetings are held at the Management Review Meeting level or higher, the functional manager for strategic suppliers or the head of the strategic purchasing department participate. These meetings will be focused on in *Review meetings*.

Review meetings

The ongoing relationship with partner strategic suppliers is managed partly through pre-established forms of recurring meetings, so-called review meetings. The different review meetings held by SAAB, and the corresponding level of people who are typically invited to these meetings, can be seen in Figure 10. A PAM is responsible for booking and planning these meetings, which are held with people from different levels of the hierarchy on both SAAB's and the supplier's side. The meetings constitute a forum for discussing issues and current and future business opportunities. An informal escalation order exists within the pyramid-like structure defined by SAAB, which is used to send issues upwards through the structure of review meetings. In addition to these high-level formal recurring meetings, telephone meetings are held regularly between people from the lower levels of the hierarchy. This high degree of interaction and inter-organizational tuning, together with the clarity of project goals, are success factors in getting the strategic suppliers with partnership status to adhere to SAAB's needs, according to senior purchasers at SAAB.

Program Review Meetings (PRM) are held twice a year. Participants are the project leaders, the responsible purchaser, and other project members as needed. Management Review Meetings (MRM) occur twice a year and engage officers. Executive Management Review Meetings (EMR) are held on an as-needed basis. These meetings are forums where high officers meet to discuss strategy related issues. MRM and EMR also function as a tool to inform the rest of the organizations about the ideas and plans of management.

Additionally, a meeting called the Sponsor Account Review (SAR) is held regularly. Each key supplier has an internal sponsor at SAAB management. During SAR meetings, the responsible purchaser will present to this sponsor how the strategy for its supplier is implemented and driven.

4.7.3 Accommodating for changes

Despite the new strategy put into place where strategic suppliers with partnership status are involved tightly in the planning process, the original agreements must be revised as the projects proceed. SAAB's needs and requirements may change, and suppliers may present an unexpected and unannounced "last time buy" offer where SAAB can choose to buy a batch of a certain product before it is discontinued by the supplier. Such changes must be anticipated and accommodated for to the extent possible.

As for the changes that are necessitated by technical requirement changes on SAAB's part, suppliers normally reply that they are willing to accommodate for the changes, but that it will affect the cost, time requirements, or other parameters. These changes are negotiated and agreed upon. Normally, both parties are guilty, to some extent, of causing the change requirement. Suppliers vary in how accommodating they are; some suppliers stick strictly to the contracts.

The final deadline of the plan will not move despite technical changes, as the project for the development of a Gripen system depends on a vast array of interdependent systems. The resulting time pressure may, in some cases, force SAAB into concessions. These concessions do not normally affect the primary price, but costs associated with reaching a solution increase. As an example, products may need to be classified on a higher performance guarantee level. Despite SAAB being able to conclude by itself that the product should indeed perform on that level already, the supplier usually claims that it will not approve a higher classification without doing further tests themselves, for which they charge money. These tests are documented in a Test Readiness Report, in which the supplier declares how it will test and report on the results. This document must be approved by SAAB.

SAAB also tackles the issue with unplanned changes through an internal revision of what reasonable requirements are. Care is taken to understand what a "good enough" level might be

for each component. For example, there may be requirements of a lifetime of at least a certain number of hours for a specific part, disregarding that the airplanes historically have had shorter lifetimes. Some components could also have a lifetime expectancy shorter than that of the airplane, and instead be inspected on a regular basis. Inspections may also load on a separate budget from that of the components, lessening the base cost (and price) for the system. Another example is with fast changing technology like processors. These components have been exchanged for stronger versions a few times since 2009 within the limits of an existing contract. Contracts accommodate for such expected changes, but technology changes may happen quicker than expected. Technology that has been discontinued on open markets may need to be custom ordered at a higher price from sub-suppliers. In other cases, the supplier may need to redesign their product to be compatible with newer components. One example of this is when ceramic components were phased out from the electronics market. SAAB's supplier then needed to redesign their product to be able to use the components based on new technology.

A rigid and detailed requirement breakdown process induced by FMV and regulations is at the heart of SAAB development, and it is time demanding. It starts with high level requirements that state how the airplane is to fly. These requirements are then iteratively broken down to the component level. When requirements cannot be met, changes on higher levels are necessary, which affects other components and modules as well. The requirement breakdown process lies within the tasks of the development projects. These projects require people from the engineering organization to develop requirements into specifications that can be used in procurement. Sometimes, the requirement breakdown is detailed on a level where it really turns into a component list, but procurement strives to avoid this as they want the supplier to own the complete solution, and with it any problems that may occur.

Changes to component parts also lead to the requalification of full systems. Moreover, changes occur despite SAAB and its suppliers actively considering such changes during the initial negotiations. There are examples where SAAB has disregarded the fact that software was to be certified according to a civil airplane standard, and, when this happened, the software prices changed radically. The price increase was due to extensive documentation, while the software was completely unaffected. The occurrence of this kind of problem is partly linked with buying COTS; some software, for example, is approved by the US Air Force, however, FMV has additional requirements, which means that SAAB cannot buy the COTS "as-is." In rare cases, unreasonable requirements are fed back to FMV for discussion. It also happens that requirements are met on a system level, but not on a component level. FMV commonly does not accept such systems as approvable, despite that the overall requirements have been met. Finally, the difficulty

in changing hardware components creates a situation in which high demands are made on software to be efficiently programmed to work with existing components, whereas, in less strictly regulated markets, the hardware would likely be upgraded instead.

4.7.4 Category Purchasing

Two purchasing divisions have been introduced at SAAB Aeronautics. While Strategic Purchasing revolves around value adding, relationship building, and joint strategy development, Category Purchasing is more about traditional purchasing and applying methods such as category management and improvement programs. The introduction of divisions at SAAB was based on an analysis using the Kraljic matrix. The same matrix was also used to set strategic and partner statuses.

Category Purchasing divides into Supplier Management and Purchasing. The Supplier Management subdivision uses KPIs to evaluate suppliers. It works to ensure compliance, cost levels, supplier performance, and supply security. The Purchasing subdivision works with negotiation and agreement development. Its purchasers, Category Account Managers (CAM), assume responsibility for a certain product group or range.

Some employees find the organization of purchasing at SAAB Aeronautics to be unnecessarily complex, yet others find the complexity challenging and fun. The head of strategic purchasing at SAAB is confident that current changes in how purchasing at SAAB Aeronautics is done will prove to be a learning opportunity for those involved. The resulting total organization around coordinated sourcing at SAAB, involving all business areas, can be seen in Figure 12.

Figure 12: Coordinated sourcing at SAAB, courtesy of SAAB

4.7.5 Appointing strategic suppliers and industrial partnerships

SAAB constitutes a small customer in terms of volume and turnover for most suppliers. As a small-scale customer, SAAB runs the risk of being de-prioritized by suppliers who tend to look at sales figures. Strategies put in place by purchasing management at SAAB aim to counter this effect in several ways.

In 2011, SAAB Aeronautics designated a subset of its suppliers to the status of strategic supplier. These around forty suppliers became the responsibility of the strategic purchasing department of SAAB Aeronautics. Of all strategic suppliers, a handful were identified as particularly crucial to SAAB. Selected suppliers were given partnership status and were assigned a PAM. The identification and evaluation of both strategic suppliers and those selected for partnership were largely qualitative, where each case was considered carefully not only from a numbers perspective but with reasoning among the people concerned.

The criteria for being selected for partnership differed between different suppliers; some suppliers provide costly products while others supply critical systems or wide ranges of products. The partnerships are a tool for SAAB to ensure both the dedication and dependency on SAAB of these critical suppliers and for product integration, cost cutting, uncertainty reduction, and joint sales efforts. Another reason to tie suppliers as close as possible is obsolescence, when aging technology is phased out by suppliers unless they see a market or customer for which keeping the technology is reasonable.

During the autumn of 2017, a new strategy template called the Strategic Supplier Strategy was put into use. The template describes how to develop a strategy for strategic suppliers through eight areas to cover: introduction, vision, rationale and scope, partner analysis, relationship, strategies, objectives, initiatives, and plan. The strategy template makes explicit two perspectives: what SAAB believes about the supplier, and what the supplier believes about SAAB. The latter is arguably more difficult to develop. For partner suppliers, the Strategic Supplier Strategy has been called Partnership Strategy instead.

Strategic suppliers enjoy benefits such as priority over other suppliers when it comes to orders. The focus of supplier development work is also different; improving the work with non-strategic suppliers involves lowering cost and evaluation while improvements aimed at strategic suppliers are based on uniquely developed strategies, extensive qualitative analyses, and a focus of each purchaser on just a few or a single supplier.

SAAB describes their partners as not only suppliers of important products but also supportive in SAAB's relationships with customers. A supplier of important products who diverges in their

strategy from what SAAB wants cannot be a partner. Partners are suppliers who invest large sums in SAAB's projects and share the risks, and who are ambassadors for SAAB and sometimes help with sales. Thus, some partners do not have extremely important products, but qualify as partners because of their influential role in SAAB's strategy work and network. As for the Kraljic matrix (see Kraljic 1983), nearly ninety percent of everything bought resides on the right half of the matrix, as most products are important or even critical. SAAB takes great care not to lose its relationship with partners caused by pushing them left in the matrix by working with COTS and investment demands. Gathering all purchasing from one supplier under umbrella agreements is key to keeping interest from the supplier in fulfilling its role as partner to SAAB. Partner suppliers are regularly invited to supplier conferences during which the parties together try to develop the supply chain to eliminate waste and risk. As partner suppliers provide complex and expensive products, and usually provide much of the maintenance work on Gripen systems, they cannot be approached in the same way as other suppliers. Short-sighted penalties are counter-productive. Instead, SAAB must focus on the mutual interest in making long-term money.

4.7.6 SAAB's procurement process standard

A new procurement process was put into place at SAAB around 2011. This new process is not Aeronautics specific, but it spans all of SAAB, although the organization built around the new process differs between different divisions. The new process is explicit and implements controlled decision making. It was developed together with AT Kearney, and SAAB management was closely involved. AT Kearney also took part in the process implementation. The procurement process was based on a new purchasing strategy for the whole SAAB group, and it constituted a major strategic move approved by SAAB's executive officers. Through the application of this process, SAAB ensures that all stakeholder interests are considered, that competition can play its role in selecting the best solution, and that regulations are met.

Figure 13: SAAB's company-spanning procurement process called HOW-0050, courtesy of SAAB, redrawn by the author

The initiatives developed in RMA sessions are sent to the procurement process, called HOW-0050, with the intention of reaching an agreement in the end. This process is depicted in Figure 13, but it has been simplified for the purpose of this thesis. A preliminary budget is normally introduced at the start of the procurement process, which revolves around four important decisions (PDG1 through PDG4). The decisions are made by the Strategic Supplier Council, which is provided with presentations made by the purchaser in charge of the process.

1. The first decision is to initiate a procurement process. Prior to this decision, the market is scanned to decide which suppliers to approach. When the decision is made, a request is sent to selected suppliers.
2. When the answers to the requests have been received, a decision is made on which suppliers are to be invited to provide a tender. A follow-up dispatch with a request for tenders is sent after this decision.
3. The third decision regards which suppliers to engage in negotiation. This decision demands that the purchaser can present a developed budget that should be kept during the negotiation, and a thorough strategy. Purchasers must get approval for their argumentation plan, budget, and strategy before moving on with the negotiation. The budget may only be changed if the negotiators can prove that settings have changed

during the negotiation. This change could be due to product specification changes or due to changes in demands from SAAB.

4. Finally, a decision is made to enter an agreement with a selected supplier. Changes to the budget may be made at this point, for example, if SAAB has made changes to its requirements, or if changes have been made to the product, during the procurement process. When this final decision is made, a contract is signed.

The introduction of a Strategic Supplier Council from which purchasers must gain approval is a change from how procurement worked previously at SAAB. Single individuals can no longer run the process alone without insight from managers. The change has drastically improved the performance of the purchasing function according to the head of strategic purchasing. The Strategic Supplier Council is specific to the Gripen project-related procurement processes, and a similar council has been introduced for other SAAB projects such as the recently developed military grade school airplane called TX. For products that fail to classify as belonging to either of these projects, another commercial team is responsible for making official decisions on the procurement process. The procurement process only defines that a formal decision institution must be installed, and not how such an institution is to be organized.

The chairman of the Strategic Supplier Council acts on the mandate of the chief procurement officer of SAAB Aeronautics. The procurement process demands that decisions must be approved by a member of the Aeronautics directorate, and documents stipulate how the decision-making institution should be populated with people with different mandates. Technical decisions made within the procurement process can be made by the project teams. However, commercial decisions must be made by the Strategic Supplier Council.

Cross-functional teams go through the purchasing process for the projects at SAAB Aeronautics. These "supply teams," or "procurement task-forces" are created to achieve a group understanding of both procurement and technology parameters. A team typically involves the purchaser, an engineer who knows the technical needs, and a person representing the project. The teams are assembled at the very start of the purchasing process and remain throughout the process until PDG4 has been completed and the resulting agreement is handed over to the ordering organization. Input and decisions are received from the Strategic Supplier Council of the specific development project. This way of organizing project procurement aims to quicken decision making and allow for flexibility, while maintaining robustness in getting what is needed.

Among the members of the "supply team" the project leader is a person with a technical background and responsibility for one or a few systems. The engineer works with the technical

area of the product to be procured. The procurement process is gradually handed over to the Ordering and Expediting team, who evaluate the purchase; the project leader exits the supply team mid-way, but the purchaser stays with it until the end.

These procurement supply teams are the currently applied solution to the problem where a purchaser does not understand the technological issues. However, SAAB sometimes experiences that their engineers do not fully understand what is needed, and needs may change because of changes in interacting modules. SAAB has put another process in place that is aimed at handling such changes, but they are often difficult to foresee.

On the group level, SAAB works with what is called the SAAB Procurement Vision. It is intended to provide a focus on the strategic parts of procurement, and, within its context, SAAB has aimed to develop a platform for facilitating synergies and sharing experience between different business areas. SAAB's Procurement Vision has also led to the development of a purchasing training program that is provided to all business areas.

4.7.7 Supplier need analysis

A continuous analysis of needs is incorporated into other activities, such as the RMA and review meetings, and into the procurement process and during interpersonal meetings between SAAB and its suppliers. SAAB is aware that both its own and its suppliers' needs may change with time. This need analysis has not been formalized by SAAB but is often expressed as critical to the work of strategic purchasing during interviews with people from this division. When pressed for an explanation of how such a need analysis might be done, respondents tend to mention continuous communication and perceptiveness as the tools they apply. However, RMA has also been developed to serve as a formal tool to accommodate for need analysis.

4.7.8 Business cases toward suppliers

SAAB regularly works with getting suppliers to calculate their payoffs using larger cases than those initially used (which are usually careful and pessimistic). The current order stock at the starting point of the new Gripen project at SAAB was not impressive enough for suppliers to expect acceptable quantities of future deliveries to SAAB, but SAAB argued that suppliers need to also include and account for the expected sales of SAAB in the calculations. Large suppliers regularly develop internal predictions for which of their customers will get orders within the next few years, looking at, among other things, countries that are about to replace their fleet of military aircraft. The suppliers then invest in selling to those customers who are likely to get orders. Thus, it is important for SAAB to influence and convince suppliers of a credible future scenario in which SAAB, and thus its suppliers, get to sell large quantities. The CEO of the SAAB group has

officially stated that the potential sales of Gripen systems over the coming twenty years is at 350 to 400 units. This statement serves to increase the credibility of the claims made to its suppliers by the procurement division at SAAB. Purchasers also spend extensive time on keeping the supplier informed of what current sales efforts and opportunities are, further increasing the credibility of SAAB as an active and growing customer. In late 2017, the focus of this communication was on the sales efforts in Finland and a second batch of Gripen systems to be provided to Brazil.

When initiating the work on Gripen E/F, SAAB argued to suppliers that 200 aircraft was a reasonable amount to calculate with. This number was based on informed guesses. In the mind of the chief purchasing officer at SAAB, suppliers probably did not take SAAB's words as true, and calculated with much fewer aircraft but still accepted the business. Later, carefully executed market investigations have suggested that a reasonable number of aircraft is closer to 300, thus outperforming even the optimistic case proposed by SAAB. Brazil has committed to buying Gripen, and Finland constitutes a promising opportunity to additional sales. SAAB also strives to show its history of high ordering quantities to suppliers to convince them; the Gripen Demo flies using a legacy motor from Beta, which allows SAAB to go back to Beta and tell them: "look, we are still ordering more of the same product, improving your margins further." (PAM for Beta)

Suppliers are also urged to consider the indirect sales increases gained from being associated with SAAB and Gripen technology. Purchasing managers at SAAB believe that the strict demands put on suppliers for being part of the demonstration aircraft in 2006, and similar such tough requirements, constitute a merit that brands the suppliers as reliable and capable. This, in turn, makes them attractive as suppliers for other potential customers. One example is Alpha, discussed in Section 4.8.1, which KAM said it is, "good for us to be on the Gripen project" because of the image that rubs off onto the supplier.

SAAB's argumentation for business cases is normally done from a management perspective. When presenting the same business cases to the supplier's sales people, SAAB is usually met with a lower acceptance, probably because the sales people are tasked with selling large volumes of certain products. SAAB instead aims at higher levels in the pyramid (Figure 10). The supplier's managers then become champions for SAAB's business, and this view then trickles down to the sales people. Management acceptance of the indirect benefits of SAAB's proposed business case greatly depends on the involvedness of the supplier's management in the SAAB project. This quickly becomes evident when suppliers are bought by giant corporations with quarterly reporting that aims to show black bottom lines throughout a six-year period. When this happens,

SAAB must invest great effort into reestablishing the understanding among managers of the often indirect and long-term benefits of supplying to SAAB.

4.7.9 Concentration of procured volumes and articles

Another task of the PAM is the concentration of volumes to use as leverage during negotiations. In theory, through the consolidation and coordination of purchasing across all parts of SAAB, the PAM drives volumes up and creates a better position to negotiate from. In practice, however, as different divisions of SAAB purchase vastly different products from the same supplier, SAAB buys from different divisions of the supplier. Divisions tend to be evaluated on their own performance only, and thus gain nothing from seeing increases in total volume. The senior purchasing managers at SAAB maintain that the organization of the supplier then becomes critical to the success of a volume concentration procurement strategy. SAAB sees a trend in which suppliers' divisions tend to become increasingly united by participating in the Gripen project. Thus, as the Gripen project proceeds, suppliers tend to increasingly see the larger business case their organization has with SAAB.

The PAM of each partner supplier is responsible for one or more contracts between the parties. These contracts are developed through the Aeronautics division's procurement process but are frequently used by other divisions, such as Surveillance or Support & Services, as either a starting point from which they draft their own contract or as is for purchasing. Products bought by other divisions are used as parts of solutions and resold directly by Support & Services, who are responsible for the customer aftermarket. In other cases, SAAB's suppliers lean on SAAB's already established contracts to directly procure items from other suppliers, which they then include in the solutions they deliver to SAAB. An example schematization of how contracts are developed and subsequently used for ordering is shown in Figure 14.

In the case of Alpha, which provides a vast range of products to SAAB, the PAM for Alpha found it beneficial to renegotiate the many contracts into a new contract, to increase volumes and avoid renegotiations. This is not always beneficial though, as old agreements sometimes have better terms and conditions.

Figure 14: Example schematization of supplier contracts ecology

4.7.10 Collaborative marketing

Many of SAAB's partner suppliers are large corporations with networks that span the globe. This network and influence opportunity are valued by SAAB, which is a relatively small actor. By using this potential resource, SAAB strives to engage some of its suppliers in joint marketing. The main benefits for the supplier of engaging in such endeavors are, according to SAAB, the increase in sales volumes to SAAB resulting from SAAB selling more, but also the image improvements it provides to suppliers' brands. SAAB argues that it is attractive to suppliers to be associated with SAAB's capabilities to cut costs, lower investments, effectively produce a high-tech quality product, and its culture. One example of co-marketing can be seen in the Gripen Demo, which was a platform not only aimed to show what was possible in terms of Gripen development but also a display of suppliers' capabilities.

The Gripen system is a platform where multiple stakeholders are invited to collaborate in teams. These stakeholders are potential marketers of the Gripen system, but the marketing department at SAAB has been reluctant to invite suppliers in its sales efforts, however, this has recently started to change. The debate partly concerns where in the process to involve suppliers; they could be involved when customers have specific questions, or on a more general level where their network is taken advantage of. Some suppliers also have connections in certain countries that SAAB would like to influence on a political level. The chief purchasing officer at SAAB believes that suppliers will play a larger role in Gripen sales in the future.

In practice, SAAB communicates that it counts on support from the supplier from a certain clear point in time, for example, a certain road show in which SAAB hopes that the supplier can be

present. Another request might be to use the supplier's logotype in advertisement. SAAB receives comments from its suppliers that the frequent, truthful, fact-based and transparent communication is appreciated. This is another capability and image that suppliers expect to transfer from SAAB to their own organization through collaboration. One example of SAAB taking things further than what was expected from the supplier is when one of the partner suppliers requested a technical specification, but SAAB refused and instead physically visited their site and drew the specifications together. The supplier's representatives claimed to appreciate SAAB's initiative and its capability to collaborate in both technology development and marketing.

4.7.11 Cost management

A central focus area for SAAB is management of costs. This includes the management of costs both for SAAB and for its suppliers. SAAB benefits from being an efficient organization that other organizations value working with. One example is when a supplier explicitly wanted SAAB to be involved in the development of products that were to be sold as COTS. The reason behind this request was that SAAB's demands are substantial enough to help the supplier reduce the overall costs for its development.

Two cost-hunting processes are applied internally at SAAB Aeronautics' Strategic Sourcing department. The first is a Cost Reduction Tracker in which purchasers report actual and substantiated cost savings made thorough purchasing. These only include direct effects, such as an agreement on reduction of yearly price increases. The second process is a requirement of each purchaser to provide four suggestions on how cost can be reduced in their area. These suggestions are then processed in discussion groups to hopefully result in general measures that can be taken by the organization.

Another cost management measure taken by SAAB is the dual requirements they express to suppliers; suppliers are to commit to self-financing of development costs, and to strive to considerably reduce the unit costs of their provided solutions. The vision to procure COTS and to allow suppliers to develop COTS naturally constitutes a part of the cost management work at SAAB. Seeking to buy COTS also allows SAAB to demand that suppliers correct their own faulty products instead of correcting something that SAAB owns.

A perspective of joint cost reductions is employed in negotiations. A negotiation is framed as a joint problem-solving session in which costs are to be reduced together, and Life Cycle Cost reduction is introduced as the first point on the negotiation agenda. Cost reductions are possible in different areas depending on what product or solution is being discussed as costs may be

heavier in development, production, or after market. SAAB sometimes offers to investigate where products are cheaper to maintain and outsource maintenance to the supplier in exchange for decreases in Life Cycle Cost. SAAB maintains that costs are reduced in the partnership when the right party does the right thing.

SAAB allows the supplier to fulfill aggregate goals specified on parameters, such as flawlessness, by avoiding specifications that are not too detailed. This stimulates the supplier to focus on how often maintenance should be done. Tight communication and sharing of plans and prognoses and, thus, the planned needs of SAAB helps suppliers optimize their production, which in turn reduces cost.

SAAB also strives to claim as few rights to the products design as possible, to allow the supplier to get returns on its investment from other customers. This way, SAAB moves in two desired directions: investing less money in development, which frees up employed capital; and lowering the total costs of development as suppliers are often more fit to undertake the development than SAAB is.

The cost cutting focus poses a great challenge for SAAB, but it has proven to be an opportunity to improve and to be a good argument to get others to cooperate as it is key to the work of purchasers at SAAB to be able to convince suppliers of the benefits associated with having cooperation and joint cost focus.

4.8 A CLOSER LOOK AT TWO SUPPLIER PARTNERSHIPS

4.8.1 Alpha

Alpha is a global actor that provides vital components to the Gripen system and has done so for multiple decennia. The items provided by Alpha, while individually not being the costliest among the parts sourced for the Gripen system, are highly important in terms of availability and reliability. Additionally, the number of unique parts sourced from Alpha is large. Alpha is an important supplier to SAAB in many of its business areas, not just in avionics. This has made Alpha a key supplier to SAAB, which expects to continue working with Alpha. Alpha has made major investments in the Gripen E/F project.

SAABs relationship with Alpha has gone through multiple cycles of low and high attention. In the early 2000s, the relationship was characterized by high performing project collaboration, a sound culture between the engineers of the two firms, and support from within Alpha's organization. Alpha was a major supplier to the Gripen system at that time. Management at both SAAB and Alpha were supportive, and feedback given to Alpha was well received on most levels of the hierarchy. SAAB purchasing managers believe that this success can be explained in part by the fact that SAAB had key people at Alpha who cared for the communication with and service to SAAB. When those people were later replaced, the relationship went into a period of lower activity.

Around 2006, before the start of the Gripen E project, SAAB placed few orders at Alpha. As a customer, SAAB became less significant and was given lower priority, which ultimately led to a situation in which Alpha considered withdrawing their Key Account Manager for SAAB. Low activity between the parties led, in part, to them forgetting about each other. Additionally, people in key roles were replaced by the supplier, which made it difficult for SAAB to get the same level of attention as it had enjoyed before. When developing the Gripen Demo, SAAB requested that Alpha contribute several products. However, Alpha's interest in this opportunity was low, and it proved to be difficult to initiate concept discussions, partly because SAAB never got to meet with the right technology developers at Alpha. Consequently, SAAB was unable to source the latest technology from Alpha, which led to Alpha gaining a partly undeserved reputation of being unreliable among some people at SAAB.

SAAB attempted to visit Alpha during this period to spark an interest in the Gripen Demo project, but the reception for these visits was lukewarm, and the few people who showed interested later proved to be unauthorized to have such discussions with SAAB. At the end of this stage, however, Alpha got the message from SAAB and displayed willingness to continue cooperation. One

gesture that demonstrates this willingness was when Alpha's CEO personally visited SAAB's site in Tannefors. To solve problems with a certain problematic product, Alpha appointed a person with specific responsibility for said product to support Alpha's KAM with responsibility for the SAAB relationship. The current PAM for Alpha believes that part of the undeserved reputation of Alpha among some people at SAAB came from not being able to deliver on the unreasonable demands made by SAAB.

Nevertheless, the quality problems were serious enough to involve SAAB's management as well as people from the Swedish Defense Force in trying to solve the issues through a series of meetings at Alpha's problem site. SAAB had to carefully balance service between its customers during this period. Some purchasers at SAAB believe that Alpha's willingness to make amendments in the end turned its reputation in the opposite direction, which led to the currently particularly close relationship.

In the early 2010s, the collaboration between SAAB and Alpha improved significantly. Management started meeting more often, and Alpha made improvements in delivery precision and timing. SAAB intentionally gathered all purchasing from Alpha into one channel to reach larger quantities. The quantities were further enhanced by switching from other suppliers and gathering a larger portfolio of products from Alpha. Responsible for coordinating this change was the newly established role; the PAM was introduced in 2008. Scheduling and structuring of inter-firm meetings helped in highlighting the importance of SAAB as a customer at Alpha. During an internal crisis at SAAB in 2013, Alpha's top management provided much needed support. This further improved the company's reputation and SAAB's attitude towards Alpha as a supplier, and the company is now highly regarded by SAAB. Alpha continues to work actively on improving, and SAAB is confident of its capabilities to improve.

Current focus areas

Currently, Alpha continues to deliver a large range of products to SAAB. All purchasing is gathered under a framework agreement negotiated by the PAM and the corresponding KAM at Alpha. This agreement includes not only SAAB Aeronautics, but everything bought from Alpha. Alpha keeps to their schedules and are reasonable to deal with. As an established supplier, Alpha also knows what SAAB's needs and demands are, in contrast to new suppliers. The existing interfaces between SAAB and Alpha enable a seamless and smooth development of COTS products, which may not work as well with other suppliers. The current PAM for Alpha believes that Alpha's work with improvements is well executed now, and thus refrains from intervening.

In retrospective, SAAB's senior purchasing managers conclude that the attention to and collaboration with partner suppliers are tightly connected with how well SAAB manages to attract attention from suppliers' management, especially as SAAB has little buying power in relationships with partner suppliers. SAAB's senior purchasing managers also believe that communication and keeping to the point are necessities in attracting that attention.

Alpha provides a person corresponding to the PAM provided by SAAB, to whom SAAB can turn with commercial questions. Every week, a meeting is held between these two people, and a handful of other representatives from SAAB, in which the parties for approximately thirty minutes are to crosstalk on the near future. The SAAB PAM and the corresponding person at Alpha also act as escalation points if the daily operations run into trouble. One challenge for the PAM for Alpha is to keep track of all contact interfaces with Alpha as this number is high because SAAB and Alpha have interfaces over multiple departments.

Gathering all communication with Alpha has two major benefits according to the PAM. First, the bulk of products bought means prices can be lowered. Second, gathering the communication means that key people can meet and discuss more often. This improves trust between the parties, which in turn allows the parties to share their resources more freely. Both the SAAB PAM and the corresponding person at Alpha strive to assume control over all products sold to SAAB by Alpha to tighten the collaboration between the parties.

In addition to the SAAB PAM and the equivalent at Alpha, a Supply Chain Manager (SCM) has been appointed specifically to the Gripen project, and this person also has an equivalent at Alpha – SAAB has worked to make this happen. The SAAB PAM and SCM meet at least once a week to brief each other, but the PAM also expresses that it would be beneficial to have the SCM and the equivalent at Alpha at the same location to promote communication. This is, however, currently not the case. Strategic and operative purchasers from other parts of SAAB can also escalate issues to the PAM, but the PAM tries to proactively communicate with all people involved.

For the sake of relieving the PAM for Alpha of some of the workload, responsibility for part of the system has been released to a Strategic Sourcing Manager. Purchasing from Alpha is done on two levels: system and components. The PAM works with system purchasing, but some systems are purchased by the component purchasers.

To promote continuity and moving forward, the timetable and structure of meetings is pre-booked for the upcoming three-year period. This helps with looking forward together instead of focusing on pressing issues and "firefighting." SAAB enjoys a high priority with Alpha, who now

work with primary cause analyses and with proactivity. Alpha's aim is to fix problems in the long term, and Alpha also works with implementing lean production and Kaizen.

SAAB buys from virtually all of Alpha's business units, and most businesses at SAAB, civil and military alike, are Alpha customers. This makes important the capability of the PAM to take a "helicopter view" of things to understand on an aggregate level the current issues between the two companies. Through this holistic approach, purchasing volumes also increase, leading to a better negotiation position and the harmonization of communication. No people directly report to the PAM; it is up to the PAM to surveil and manage the status of communications. Alpha's PAM at SAAB arranges meetings every second week with all people involved in the Alpha relationship to brief each other on current issues.

Alpha has given clear indications to its PAM at SAAB that its participation in the Gripen project has been rewarding from a marketing perspective. The PAM hears that "... it is good for us to be on the Gripen [platform] because the world then understands that we are competitive thanks to the reputation of SAAB." (PAM for Alpha, quoting its counterpart KAM at Alpha) Regardless of the size difference between the two companies, Alpha believes that others regard the Gripen project as a true test of performance and affordability for its suppliers. Thus, Alpha's participation serves as a trust-instilling and risk-reducing mechanism in Alpha's other relationships. It also suggests to other Alpha customers that the company is a partner which SAAB is satisfied working with in the long term. SAAB's Alpha PAM helps Alpha achieve this image, for example, through ensuring that SAAB always turns to Alpha first and, in that manner, showing to the world that Alpha is one of SAAB's preferred partners. Alpha may have other outlets in which they can get more exposure for their products and proficiency as a partner supplier, but the fighter airplane manufacturer customer base is sufficiently limited that Alpha cannot ignore it, according to SAAB's PAM.

SAAB as a business opportunity

None of the most expensive components of the Gripen airplane are supplied by Alpha. With about a hundred fighters sold, and a prognosis for another 250-300 fighters, Alpha looks at total revenues in the ranges of a few billion SEK. For a company the size of Alpha, these are not extreme numbers, nor are the numbers certain. Consequently, SAAB's PAM must put much effort into reasoning with Alpha about the value of doing business with SAAB. This work can be described as communicating, synchronizing, making prognoses, following up on the order book, and looking forward together. SAAB needs Alpha to not only be willing to deliver to SAAB but also act swiftly when problems arise.

Alpha comes from an environment in which suppliers are highly dependent on the defense industry and its decisions to invest. These decisions are sparse but generate very large sales volumes when they are made. SAAB contrasts highly with this image and makes updates over shorter cycles. In this manner, working with SAAB means orders will come more frequently albeit smaller in size. Suppliers are, thus, sometimes awarded parts of a Gripen project but not the whole project. SAAB's PAM believes that Alpha appreciates the quick technology development of SAAB enough to find the business attractive despite the low potential of making much money when working with SAAB. The continuous development at SAAB has been done in collaboration with its customers and suppliers for many generations of Gripen, and the company's need for continuity constitutes a valuable circumstance to the suppliers.

Recently SAAB's PAM for Alpha worked to put an agreement into place that covers all procurements for the Gripen fighters ordered by Brazil; one reason for this was to clean up the many old contracts, another was to simplify the coordination of purchasing, and a third reason was to consolidate SAAB business at Alpha to justify the price decreases. The many old contracts are a legacy from time when Alpha acquired companies that had once been SAAB suppliers. SAAB purchasing managers believe that the overarching contract was possible only because of good personal relations with people at Alpha. The new contract has stepped away from the earlier model in which discounts were given only when products were purchased in larger amounts; the discount now applies from the first product. This change came naturally only because Alpha had previously agreed to this kind of price model in a contract for a small series of aircraft.

On Alpha's initiative, this framework agreement was recently put in place between the parties. The framework gathers purchasing made by SAAB under one agreement, effectively enlarging the bulk of purchased products and allowing SAAB to lower prices. For Alpha to agree on this, SAAB gave priority to Alpha on several products for which there was an immediate need at SAAB. This was the common denominator that enabled the agreement, but the parties also look to draw other benefits from the agreement. The agreement enables effective management for SAAB's PAM and Alpha's KAM, focus on the importance of the Alpha-SAAB relationship from executive management within both firms, and a reason for the PAM and KAM to meet more often. The new agreement also contributed to meeting the cost requirements made internally at Alpha by consolidating purchasing and driving virtual volumes up.

The current situation in which unusually many parts and systems are to be procured for the new Gripen system means more contracts are closed than usual. One challenge lies in getting the right corresponding people from Alpha's side to match the many procurement teams at SAAB – the

Alpha equivalent to SAAB's PAM assists with pairing these teams together through the different phases of the purchasing process. A formal description of how supply teams are supposed to act is stipulated in documents, but none describe interaction with the supplier. In other words, the process of working jointly is based on good intentions from both parties.

Sources of value

The SAAB PAM assigned to Alpha experiences that good understanding of how things connect and play out in the future is advantageous and constitutes an opportunity to capture value during negotiations.

In addition to the effects expected from the agreement decision at hand, many other factors influence the decision making of both parties. Each week, Alpha and SAAB meet for thirty minutes to tune in on their short-term plans. These meetings reduce uncertainty related to demands and manpower needs. Each party also works with the other's suppleness; they help each other for free when necessary, find resources within the own organization for the other party, know the needs of each other without asking, and maintain good personal relationships between employees of both firms.

Brand association is of importance to both parties. Alpha, a world-renowned firm, has been advantageous to SAAB in its sales to end customers, not only by association but also by the presence of Alpha at sales meetings. Alpha's presence gives importance to the meeting and better answers to the customer's questions about the parts for which it is the supplier. Also, Alpha's large network has been useful to SAAB. In the end, a sales success for SAAB means more orders for Alpha. As a large and global actor supplying multiple products to SAAB, Alpha holds a position to support SAAB in its sales efforts in focus countries and other countries with opportunities for SAAB to sell. SAAB also increases its dependency on Alpha as a key supplier by relying on support from Alpha.

SAAB is not important to Alpha because of the purchase volume, which is comparatively small. However, there are just five fighter airplane producers globally, which means there is no alternative customer to sell to should Alpha lose SAAB. More importantly though, SAAB constitutes a launch platform for new technology because of its short development cycles compared to Alpha's other customers.

The PAM for Alpha sees opportunities for achieving further value within the relationship. Buying parts that are currently bought from other suppliers from Alpha would increase the volume from Alpha, something that could be leveraged for other benefits. As for the Gripen project, SAAB is

beginning to reach saturation in their procurement from Alpha, but some potential for further consolidating and moving purchasing from other suppliers to Alpha still exists, particularly for systems other than those related to the Gripen system.

4.8.2 Beta

Beta has been a supplier to SAAB for an extensive time, and has provided, among other things, critical components for the Gripen C/D system and the new Gripen E/F system. Beta is a colossal company in comparison to SAAB. The size and ambitions of Beta makes it a global influencer of political decisions and other organizations. Apart from the Gripen systems, Beta has also provided for the SAAB 340 civil aircraft.

When the Gripen Demo project was in its starting stages, SAAB examined its COTS strategies. A collaboration was initiated with key suppliers, among them Beta, which early on made major investments in the project. The relationship between Beta and SAAB has continued to be good, and Beta has been supportive and encouraging in SAAB's endeavors. This established Beta as a prime candidate for supplying solutions for the Gripen E/F system. Other potential suppliers were evaluated as not equally capable of delivering, partly as they would have to make larger initial investments to adapt their products to SAAB's needs.

At the time of Gripen C/D, the relationship between Beta and SAAB was not yet strong. When investigating the options for Gripen E/F, a study was made that examined multiple alternatives for solutions. Beta solutions were selected, despite heavy political protests, because a Swedish industry would suffer from this decision. Beta again made development investments in the project. The contract was signed in 2013.

Beta qualifies as one of SAAB's most important suppliers because its solutions make up one of the most considerable chunks of cost in the Gripen system. From a purchasing perspective, the costly part for the Gripen system constitutes the lion's share of purchasing expenditures associated with Beta, particularly when maintenance is included, and, the purchasing expenditures thus constitute the focal driver of the relationship. Until 2015, Beta also provided other critical systems, but this business was sold off, further increasing the importance of the critical system currently provided. According to the previous (until 2017) PAM for Beta, multiple potential products could be supplied by Beta and, thereby, increase its volumes towards SAAB.

Beta has traditionally had most of its business with the US Navy and has been given very detailed specifications of what to deliver. Investments have been low, as customers have paid for development. Thus, Beta, similar Alpha, experienced a transformation in their way of doing business when they entered into a partnership with SAAB. Beta now must find financing for

investments into development for SAAB, which refuses to pay anything until deliveries are made. SAAB pays posterior to delivery for products, development, and risk taken. Beta is forced to make its own risk assessments and develop a business case, although SAAB will sometimes promise a minimum volume.

Initially, this change in expectations made it difficult to reach an agreement with Beta, but belief in the product and the business case allowed the parties to reach an agreement with which both are satisfied. A key to agreement was finding an agreeable price level for the risk taken by Beta.

Organization and activities

A strategy for the partnership with Beta has been in place since the introduction of the PAM role. Purchasing officers from different business areas approve the strategy, which was drafted by the PAM. The strategy for Beta in 2016 revolved around the most expensive of the provided products, but many contracts existed as Beta has incorporated multiple organizations into itself over time. One aim was to consolidate those contracts. SAAB's PAM experienced that despite SAAB's efforts to establish a partnership, Beta was slow to make reciprocal moves. The centrality of the most expensive of its supplied products had the effect that the PAM's main contact person was the person with responsibility for this product.

Beta and SAAB had multiple interfaces through which the organizations communicated, but whenever problems were encountered, people used the PAM as a contact point. The SAAB PAM called their counterpart at Beta, who then tried to solve the problem internally. The counterpart at Beta only had mandates for the business related to the most expensive product provided but was an influential person, who managed to make things happen at Beta. SAAB's PAM subsequently concluded that personal relationships are crucial to gaining influence over how things turn out.

A strategy document at the time contained a vision describing what the partnership should look like after a certain number of years. The intention of the document was to be clear on how risk was to be shared, how interaction could be made smooth, and how to inform everyone involved of the preconditions and of the framework. Several activities to go through together with Beta were also in the document to attain the desired goal. Performance was verified against the strategy document a few times per year, and the document was revised accordingly. On Beta's side, this was done single-handedly by the PAM. The strategy document was internal and not sanctioned by the supplier. During the first years of the partnership, the PAM participated in countless meetings with different parts of the organization to try to coordinate all interaction

towards the supplier. This later declined and was replaced by an informal setup where people escalated issues through the PAM when problems were encountered.

Beta changed its PAM between 2016 and 2017. The new PAM stresses that strategy may be viewed by some as a “paper product,” but it really is critical for the mutual understanding of aims and wants. The main challenges in working with Beta, according to the current PAM for Beta, concerns the high levels of politics, both in business and nationally, associated with vital systems such as those provided by Beta. It is difficult to influence these decisions; they must be related to instead. One example is the budget process in which the PAM for Beta has no say. The new Beta PAM aims to establish problem-free and smooth collaboration with Beta. Key to this is honesty, transparency, and willingness to cooperate.

The new PAM for Beta believes that, although the strategy document is internal, selected parts of the strategy work must be done together with Beta for a partnership to become established. Thus, the aim going forward is to work together with the Beta KAM to develop joint strategy. The SAAB PAM plans to jointly develop the partnership vision and, using it, develop strategic targets and, subsequently, activities that must be done. A presentation of how this joint strategy development should happen was given to Beta in late 2017 with the expectation that Beta would counter with their own standpoint. SAAB's vision is that Beta should be a full risk-sharing partner by 2022, and the expectation is that Beta will invest large amounts in development and marketing. SAAB believes that it is an important Beta customer, despite low volumes compared to the volumes of competitors in the fighter airplane market. With the potential sales included in business case calculations, SAAB believes it could become a core Beta customer.

Up until the end of 2017, RMAs had been sporadically held and not as established or documented as is required for the forum to be a tool for business development. The PAM for Beta aims to better incorporate the RMA and TechSource. Both parties also aim to better make use of digitalization, but they still struggle to define exactly what this means. Examples of initiatives made by the current PAM for Beta include: bringing cost down, securing rate readiness (the supplier having the capacity to deliver when SAAB needs it), MRM, EMR, RMA workshops, a Campaign Strategy Workshop when needed, and Joint Strategy Workshops. The PAM also envisions a “dual transparent access to future product portfolios by continuous work with RMA,” (Current PAM for Beta) which is the idea behind an explicit vision for the relationship. RMA has previously not been transparent on the level where ideas that are still on the drawing board and might become realized in ten years are shared. By gaining access to those ideas in the earliest

stages, SAAB's influence and Beta's willingness to listen increases, which can potentially reduce cost through the COTS methodology.

The partnership

MRMs with Beta occur two or three times per year. Management from both firms meet and share their views on how a project is proceeding. SAAB tries to provide Beta with richer information than non-partner suppliers to make its representatives feel strong involvement. During MRMs, SAAB and Beta also discuss how to collaborate in marketing and how future development plans can be joined. It is common to involve both SAAB Aeronautics' Chief Procurement Officer and the VP of the Gripen project in MRMs, and meetings are often held in connection with big airplane fairs.

ERMs are also held, but the previous Beta PAM believed that these meetings tended not to relate to current issues at hand and instead mainly function as relationship preserving encounters. Problems were not brought up during these meetings because of the cultural aspect where people of the culture of Beta's home country despise unpleasant surprises during formal meetings with superiors' superiors present, according to the same PAM.

SAAB possesses no leverage if supply becomes unsatisfactory. Beta controls all development capability should the relationship end, and SAAB's Gripen project would be delayed many years, with catastrophic results. Thus, the previous PAM maintained that the relationship with Beta was much a marriage to a supplier. Key to keeping this marriage healthy is that Beta gets a good return on their investments, SAAB broadens its scope of products bought from Beta, and cooperation in marketing is successful. Currently, the joint marketing efforts in India seem to be going well.

At the time of writing, the PAM maintains that the partnership with Beta has come a long way, partly because of the individuals currently involved. The Beta KAM is easy to work with, and relationships between superiors are in a good state. The PAM is kept informed when phone calls are made on their level. SAAB experiences being prioritized owing to the good relations between the parties.

The current state of affairs

The new contract with Beta is different from previous contracts in that it shifts investments towards the supplier. SAAB had to work extensively with communicating its ambitions to Beta before such a radical change could be acceptable. The contract also discusses how risk is to be shared, for example, what happens if SAAB's sales prognoses do not turn out as expected (SAAB

will compensate up to a certain level, and Beta will pay the remaining loss). Before agreement, extensive work was put into calculation of risks and payments, but the previous Beta PAM also highlights that the agreement process nevertheless ended in bargaining and compromising. Prior to the final agreement, several letters of intent were signed. The contract is not constrained in time but will likely last for around thirty years as this is the expected lifetime of the current Gripen system. It ends when commitments have been fulfilled or the contract is terminated. The prices are adjusted according to index formulas. The contract is structured around an overlying framework agreement that stipulates how the parties will work together, and the general terms of business. This framework is followed by appendices pertaining to for example the aftermarket or certain products. Appendices are added continuously.

The Beta PAM lists current challenges in their role. Work must be put into changing some companies' internal opinions of the supplier. Despite good relationships with the strategic purchasing division of SAAB Aeronautics, Beta has gained an image of being expensive in other business areas such as Support & Services. Improving this image involves joint efforts with Beta. Another challenge revolves around the understanding of new technology approached by Beta. The current PAM for Beta has, through indirect information sources, detected an increasing volume of deliveries to military customers by Beta, and indications of working with 3D printing and digitalization. Beta also talks about two "next generation science" contracts in their public communication. Getting Beta to share their plans is a pressing and ongoing concern for the PAM.

The declining volumes of civil aircraft SAAB 340 in combination with an aging fleet has become problematic, as Beta increases the prices for products supplied for this model. The PAM for Beta hopes that 3D printing technology can be a key to lowering costs and prices for these products.

To increase the volumes bought from Beta on existing agreements, the PAM now also investigates if more of the Gripen C/D system could be sold. This would indirectly benefit Beta's sales. The Beta PAM is also concerned with understanding how acquisitions may affect Beta. Several suppliers to SAAB have been acquired by major corporations lately.

The relationships with partner suppliers are graded on a 4-step scale: research, invest, commit, and integrate. The relationship with Beta is approaching the last step and will reach it when the current vision is realized. However, the PAM maintains that the parties must not become satisfied and unfocused just because the highest step is in grasp.

Sources of value

SAAB has spent great effort in argumentation with Beta for a credible and attractive business case with larger volumes than initially ordered. This is partly done through transparency and close communication, but credibility must also come from how SAAB, as a company, acts and builds its image. For Beta, the business case proposed by SAAB was attractive, with many years of income expected. However, SAAB's proposition also had to be credible. This credibility was enhanced when the supplier, after the Gripen Demo project, suddenly needed to borrow back one of their provided products to use in another program. SAAB allowed it, and the results improved the credibility of the SAAB business case in two ways: they showed that products developed for Gripen E/F are also attractive to other customers, and, thus, function in the COTS vision, and they also showed that SAAB is a customer on which Beta can truly rely as a partner.

Before the agreement was made with Beta for the new Gripen system, Beta did not take any action in the business case presented. After signing the contract, Beta soon understood that they had real opportunity to influence their own sales volumes. It took only one month before SAAB got a phone call from Beta, which wanted to "ensure that SAAB was on the track to provide Beta with wings for their products." (Current PAM for Beta, quoting the caller) SAAB has seen a strong increase in this supplier's willingness to engage in its sales efforts. Beta offers to join SAAB in customer visits and has offered to employ a person at fifty percent to help marketing Gripen in Finland. This collaboration has come to a level that the sales team at SAAB is not accustomed to, and, thus, the sales team struggles with incorporating Beta's help into their work. The previous Beta PAM maintained that the next step for the partnerships with suppliers is full involvement in sales. SAAB's sales department's current inability to accommodate for this was problematic in the eyes of the PAM, who made countless efforts to connect the SAAB sales department with the Beta sales department. One conclusion was that this connection would have to be sanctioned by management on both sides to be possible.

In contrast to Beta's willingness to participate in sales efforts, while they are now in a position to deliver future products, they still use arguments such as "we will not do anything until someone needs the next generation of our product" (Current PAM for Beta, quoting unknown person at Beta) while SAAB would like to see proactive development.

SAAB is hoping that Beta can join forces with ambassadors and export control institutions and the likes to advocate for SAAB to potential customers. Another way in which Beta can help is through offset agreements. Beta owns sites across the globe, and if SAAB can get them to help,

there are “oceans of value to be captured” (Current PAM for Beta) by the parties according to the previous PAM.

Because of the size of Beta and the scarcity of providers of similar solutions globally, it is not uncommon for Beta to be the provider of similar solutions to SAAB’s competitors. For example, Gripen and F18 compete, and both airplanes rely on Beta. The F18 system is marketed by Boeing. SAAB tries to influence Beta to promote SAAB in such cases. The aim is to get Beta to be a genuine SAAB ambassador, to actively take part in SAAB’s sales efforts, and to generate offset in countries to which SAAB sells the Gripen system.

In addition to marketing towards SAAB customers, Beta is also of help as a successful example of supplier partnership when SAAB communicates with other suppliers. One example if this is when Beta was invited by SAAB to present at a meeting in India between SAAB suppliers and Indian companies. One aim of this meeting was to make matches between firms to stimulate offset.

The SAAB PAM for Beta plays the role of champion for Beta internally at SAAB. Similar to working with Alpha, SAAB has strived to consolidate purchasing from Beta. This has resulted in a considerable purchase volume, and SAAB has become an important customer. Currently, the solution provided to the Gripen system constitutes the lion’s share of Beta’s business at SAAB, but it could potentially provide many more products. In many cases, Beta competes with Alpha for SAAB’s business. The Beta PAM looks to create opportunities for Beta to enter other platforms, such as the trainer airplane and a RADAR airplane that SAAB also produces. Currently, the focus is on the Gripen E/F system, but the Beta PAM is also examining what can be provided long term.

Compared to normal risks in supply agreements, Beta takes above-normal levels of risk of not getting paid for their development investments. Likewise, SAAB takes increased levels of risk by outsourcing the development of critical systems, which could then be discontinued by Beta while still being needed by SAAB. These non-normal risks demand that much effort goes into the consideration of how compensation should be arranged when things do not turn out as expected or planned for.

One of the critical arguments for why Beta wanted to get in on the contract for Gripen E/F was that they would supply without a middle hand. Beta understands that the potential suppliers of their solutions are few, and that SAAB will lock itself into relying on Beta for many years as the product cannot easily be exchanged for another. The expectation to stay with SAAB for a long time and the fact that the product is adaptable to SAAB’s needs with only minor changes, were both factors that played a role in convincing Beta to accept SAAB’s agreement.

Coming from a background of supplying to the American military, Beta looks to improve its capabilities in the development of quick and cost-effective solutions. SAAB is renowned for this capability, relying on model-based design and other tools. SAAB also expresses that it lies in its own interest to teach Beta how to “break the cost curve” as this will be reflected in the prices SAAB pays. Suppliers visiting SAAB and learning about methods for how to quickly ascend the learning curve, digital-only blueprints and other initiatives, are often surprised by what they see.

4.9 SAAB’S PROCUREMENT ACCOUNT MANAGERS’ VIEW OF PROPOSED VALUE

Senior purchasers at SAAB claim that the purchasing department has taken traditional marketing and “turned it around” as an inspiration for the work they are doing with partner suppliers. By this, they mean that sales pitches are developed to motivate suppliers to invest in and work closely with SAAB. The aim is to create a situation that suppliers can feel that they are in control of and can develop over time.

During the spring of 2016, a workshop was held with the SAAB PAMs to develop a rough list of benefits and sacrifices associated with working in partner supplier relationships. The workshop was led by researchers at Linköping University and was meant to investigate and map out the effects of strategic relationships while also being a feedback point where SAAB learned from the research project under which this research was made possible. The workshop resulted in several Power Point slides on which benefits and sacrifices for both SAAB and its suppliers were summarized by the workshop leaders. These slides were then sent to and confirmed with senior purchasers at SAAB.

When discussing the following benefits and sacrifices, respondents evaluated the parameters relative to the situation that is normally the case with non-partner suppliers with which SAAB mainly interacts in more traditional procurement settings. The question asked was what benefits and sacrifices are realized from the supplier partnerships at SAAB, in contrast to if such partnerships did not exist. In the following tables, SAAB’s view of suppliers’ benefits (Table 3) and sacrifices (Table 4) and SAAB’s benefits (Table 5) and sacrifices (Table 6) from entering into supply partnerships are listed and commented.

Table 3 gives a summary of the benefits that SAAB believes its suppliers to appreciate as valuable effects from entering into a supply partnership with SAAB.

Table 3: SAAB's view of suppliers' benefits from entering into partnerships with SAAB

Benefit	Comment
Image improvements	The supplier, by being a provider of technology to SAAB Gripen, gains the image of being high-performing yet cost-effective
Marketing	Just as suppliers help SAAB with its marketing, the suppliers are also talked warmly of by SAAB in its marketing efforts. SAAB constitutes a unique partner on a market with few actors and high dependency on politics.
Knowledge transfer	SAAB's competence in technology and cost-effectiveness are expected to transfer to the supplier through close inter-firm collaboration between employees. The working process and culture at SAAB are enablers in this.
Technical development platform	The quick development cycles and methods such as RMA of SAAB provide a platform for suppliers to develop technology more quickly than what is common in their market. Large actors normally do mid-life upgrades of their systems, while SAAB instead does smaller, continuous upgrades. SAAB also constitutes a launch platform to get new products on the market.
Range management	SAAB's vision to depart from and arrive in products close to COTS when developing new technology helps suppliers to reduce their ranges of products and increases the potential to sell more of the same product to other customers
Market intelligence and networks	The partnership suppliers gain understanding of SAAB's markets through joint planning of strategies, and SAAB constitutes a contact with access to business networks
Stable long-term sales	SAAB's places orders for products many years into the future, and thus provides stable sales and after-market opportunities. However, it should be noted that this benefit is not unique to partnership suppliers.
Trustworthy partner	Suppliers trust that SAAB genuinely looks to best interest of the partnership rather than itself. The PAM allocated to a partner supplier provides access, transparency, and information on sales opportunities within the SAAB organization.
Requirements and accountability	SAAB's requirement specification process and its demand that suppliers take responsibility for their solutions help suppliers to develop products that are accepted by international standards
Risk reduction	The agreements with partnership suppliers include that SAAB assumes some of the risk of suppliers not being able to recover their costs for development
Intellectual properties	When suppliers invest in development they are also allowed by SAAB to take ownership of any intellectual properties coming out of the development

Table 4 gives a summary of the sacrifices that SAAB believes its suppliers to perceive as effects from entering into a supply partnership with SAAB.

Table 4: SAAB's view of suppliers' sacrifices from entering into partnerships with SAAB

Sacrifice	Comment
Lower prices	SAAB is looking to cut cost, and part of this is to reduce the price paid for products developed and bought. Eventually, SAAB is striving to get closer to the car industry in which they perceive that prices are reduced almost every year.
Integrity	Partner suppliers must compromise their integrity to facilitate better collaboration with SAAB.
High commitment demands	The long life cycles associated with product suppliers to the Gripen system can be demanding in terms of making competence available, and giving guarantees and taking responsibility for technology, substitute components, and spare parts. Additionally, payments are far into the future.
Time investments	For the partnership to work as expected, much time must be spent by the supplier on collaboration and development. SAAB's small size makes such time investments harder to motivate.
Increased investment demands	When SAAB does not provide the financing for development, this financing must be arranged for by the supplier and payoff on the investments must be secured.
Increased dependency	Collaboration with SAAB in terms of strategic planning as well as technological development worsens the consequences if the partnership comes to an end.

Table 5 gives a summary of the benefits that SAAB appreciates as valuable effects from entering into a supply partnership with a strategic supplier.

Table 5: SAAB's benefits from entering into partnerships with suppliers

Benefit	Comment
Image improvements	SAAB, by using technology of world-renowned suppliers, gains the image of being high-performing and reliable.
Marketing	SAAB benefits from the efforts made by some of its partner suppliers to market and advocate for the Gripen system
Market intelligence and networks	Joint planning of strategies and close communication of market movements and plans help SAAB with smart buying. The extensive networks of large suppliers provide contacts for SAAB.
Supplier accountability	SAAB demands that suppliers take responsibility for their solutions. This motivates suppliers to perform well and fix problems as they occur.
Decreased investment needs	A major reason for entering into partnerships with suppliers is to avoid up-front costs for development. These investment needs are reduced through the partnership working method.
Lower prices	SAAB is looking to cut cost and part of this is to reduce the price paid for products developed and bought. Eventually, SAAB is striving to get closer to the auto industry in which they perceive that prices are reduced almost every year.
Offset opportunities	Partner suppliers with presence in SAAB's target customer countries provide opportunities for creating offset business and, thus, supporting SAAB's sales efforts.
Preserving knowledge	Through involvement in the supplier's development, SAAB can preserve its method- and technology-knowledge that could otherwise be lost when outsourcing.

Table 6 gives a summary of the sacrifices that SAAB perceives as effects from entering into a supply partnership with a strategic supplier.

Table 6: SAAB's sacrifices from entering into partnerships with suppliers

Sacrifice	Comment
Integrity	SAAB must compromise their integrity to facilitate good collaboration with partner suppliers.
Time investments	For the partnership to work as expected, much time must be spent by SAAB on collaboration and the orchestration of interactions.
Less customization	The sacrifice made by SAAB when trying to buy COTS products is in customization. SAAB cannot buy exactly what it needs but must compromise.
Guinea pig	When suppliers develop products together with SAAB, it falls on SAAB to carefully test and send feedback on prototypes. This demands large time investments.
Corruption risk	Partnerships mean sidestepping from the normal competitive market. The risk of corruption and people making private deals increases.
Loss of intellectual properties	When suppliers invest in development, they are also allowed by SAAB to take ownership of any intellectual properties coming out of the development.
Investment in unneeded development	SAAB must accept some design aspects of products that are not wanted but that are needed for the product to work as a COTS product later.
Increased dependency and lock-in effects	SAAB locks itself with the supplier, both because of switching costs and because of negative effects on related systems if a switch was to be made.

5

ANALYSIS

This chapter establishes how SAAB's adoption of a Value-Based Procurement Strategy and the procurement context have shaped the company's procurement organization and procurement activities and how this plays into the value propositions to suppliers.

5.1 VALUE-BASED PROCUREMENT CONTEXT

5.1.1 *Surrounding context*

The following section is summarized in Table 7, which tabularizes the empirical concepts that were coded around the Outer context, Market actors, and Firm strategy topics. Theories that have aided with wording and association during coding are also mentioned accordingly.

Outer context

Three concepts from the outer context of SAAB emerge as influential on how SAAB has adopted Value-Based Procurement: politics (Johnston and Lewin 1996), aircraft legislation, and the long technology cycles inherent to the military aircraft industry (Iyer 1996, Trautmann, Turkulainen et al. 2009, Bals, Laine et al. 2018).

Regarding **Politics**, Sweden has been and still is supportive of SAAB turning to other countries to sell their aircraft. By adding more customers to their customer base, SAAB has been able to increase the volumes procured from suppliers and, through this, has gained bargaining power. Furthermore, sales of military aircraft are inherently uncertain. This uncertainty has played a role in the adoption of Value-Based Procurement Strategy, because SAAB relies on this strategy to be able to mitigate the uncertainty through joint planning and sharing of intelligence. SAAB maintains that it provides stable long-term sales, which are valuable to its suppliers.

Furthermore, the Swedish governmental aim and willingness to share cost and knowledge (including IPRs) with other actors constitutes a prerequisite for the offer from SAAB to its suppliers. Sharing knowledge with suppliers is communicated as part of the value proposition. Sharing cost and knowledge with suppliers is a way of working that is unique to SAAB compared to its competition.

The aim of the Swedish government to be an international team player allows SAAB to engage in international collaborations and become internationally dependent on its suppliers to a greater extent than was otherwise possible. Particularly in traditionally secretive industries, such as military aircraft, this could be a barrier to the adoption of Value-Based Procurement as it builds, to a large extent, on sharing information between customer and supplier.

Table 7: Surrounding context concepts from empirics

Empiric concepts	Axial coding category	Theory informing axial coding (if any)
Home country support	Outer context	Politics (Johnston and Lewin 1996), Technical environment (Iyer 1996, Trautmann, Turkulainen et al. 2009)
Requirements and legislation (FMV)		
Long tech cycles (fighter aircraft)	Market actors	Suppliers (Robinson, Faris et al. 1967, Johnston and Lewin 1996, Masi, Micheli et al. 2013), Competitors (Bals, Laine et al. 2018), Customers (Iyer 1996)
Cultural dissonance		
Offset deals		
Big, slow competitors		
Cost-inefficient suppliers		
Hard-to-copy culture	Firm strategy	Firm strategy (Bals, Laine et al. 2018)
Excelling at market niche:		
International collaboration		
Integrator role:		

Table 8: Specific context concepts from empirics

Empiric concepts	Axial coding category	Theory informing axial coding (if any)
Supply volume volatility	Inner context	Complexity (Iyer 1996, Lakemond, van Echtelt et al. 2001), Technology (Ellram 1990), Newness (Robinson, Faris et al. 1967), Information requirements (Johnston and Lewin 1996), Impact/importance (Masi, Micheli et al. 2013)
Technical complexity		
Long delivery horizons		
Information intensiveness:		
Supplier relationship	Supplier	Buying management difficulty (Lakemond, van Echtelt et al. 2001), Relationships and Power (Cousins, Lawson et al. 2008, Lawson, Cousins et al. 2009, Castaldi, ten Kate et al. 2011), Alternatives available (Iyer 1996, Hunter, Bunn et al. 2006), Culture (Ellram 1990, Whitfield and Landeros 2006, Cannon, Doney et al. 2010, Jean, Sinkovics et al. 2010)
Relative product costs		
Connections between organizations		

The **long technology cycles** inherent to the military aircraft industry means that suppliers normally cannot get their technical solutions implemented and tested in customers' products for years. The much shorter development cycles used by SAAB have been identified as appealing to suppliers because they provide an opportunity to get new solutions onto the market more quickly. Thus, the surrounding contextual factor of long technology cycles is a concept on which SAAB's supplier-directed value propositions partly rely.

SAAB must follow **legislation** and certification requirements for both civil and military aircraft, and Swedish and international standards. This circumstance has led to SAAB performing well in the specification of requirements in comparison with competitors, which is appreciated by suppliers. However, it also inhibits the possibility to send requests for proposals to suppliers asking for specifications on a system performance level, and the possibility to order products close to COTS. Thus, legislation has been both a blessing and a curse for SAAB in terms of capturing value together with suppliers.

Market actors

Compared to SAAB, its partner **suppliers** are culturally different, not as knowledgeable in cost-efficiency, and much larger (c.f. Robinson, Faris et al. 1967, Johnston and Lewin 1996, Masi, Micheli et al. 2013). SAAB's supply chains are characterized by a strongly limited number of suppliers of many of its needed items, and SAAB, consequently, has little buying power. The culture of suppliers has sometimes been proven to be a barrier for SAAB in that it makes efforts to establish an understanding of the unique ways in which the company works before suppliers' support thaws. This can be explained as a compatibility issue between managers (Ellram 1990). On the other hand, for purchasing, SAAB's culture has allowed the development of a flat, matrix-like organization with room for free thinking and responsibility on the individual level. This allows SAAB to offer its suppliers valuable quick decision making, real influence on the manager level, and a customer that thinks creatively and comes up with new ways of solving problems together with the supplier.

The sheer size of a potential partner supplier compared to SAAB is a contextual factor that contributes to the insignificance of SAAB as a customer. This has forced SAAB to take a different approach to getting these suppliers interested in doing business. SAAB's cost-efficiency knowledge is one of the parameters that have been identified by the company as attractive to suppliers, because suppliers lack the same expertise.

SAAB's **competitors**, too, are much larger than SAAB, and act out of other cultures and countries (c.f. Bals, Laine et al. 2018). It is difficult or impossible for them to copy the company culture of

SAAB. With their larger size, they tend to be slower in decision making but offer much larger volumes to suppliers.

On the **customer** side, customers are normally countries with their own stakeholders such as local industry, schools, and universities (c.f. Iyer 1996). The supply chains, thus, put pressure on SAAB to buy from suppliers where the purchases increase the value for the customer. This is done through, for example, offset deals and economic and knowledge-based improvement ripples in society. Suppliers who can provide an offset to SAAB's customer countries are able to provide value to SAAB in this way.

Local political support needs to be gained by SAAB to be able to sell its products. SAAB also offers to customers the ownership of its solutions (the most extreme and recent case is that in which Brazil will be taught to manufacture their own aircraft). Suppliers may play an important role in delivering on these promises. Supplier involvement is discussed between the procurement department of SAAB and its partner suppliers.

Firm strategy

From a procurement perspective, the firm strategy (Bals, Laine et al. 2018) belongs to the surrounding context, although the firm strategy naturally also has been shaped by the surrounding context of politics, competitors, and customers. The firm strategy has played a critical role in the development of a procurement strategy, which this thesis maintains is a Value-Based Procurement Strategy used by SAAB.

Three aspects of SAAB's firm strategy are highly influential on how SAAB has adopted Value-Based Procurement. First, SAAB has pursued a market niche of offering military aircraft solutions that are high performance and reliable yet low cost. SAAB also endeavors to be dynamic, agile, and flexible in adapting their technology to the needs of customers. Offering these benefits to customers has consequences for what procurement must achieve to deliver on the needs of this market niche. SAAB's strategy is an effect of its surroundings and a part of those surroundings from the viewpoint of procurement (Akin Ateş, van Raaij et al. 2018).

As governments around the globe have started to decrease their defense budgets on average and have started looking for cost efficient solutions, SAAB has shaped its strategy around this customer need. SAAB's firm strategy propagates down to procurement, where it has led to a strict cost focus. This cost focus has become something SAAB excels at, and it is a capability that suppliers want to rub off onto their organization.

SAAB has made it part of its strategy to offer quick technological development cycles to its customers because they value the possibility to accommodate for technological progress quickly to stay ahead of competition – a critical factor in air warfare. Procurement has been able to capitalize on this strategic aim by offering the same benefits to suppliers who are used to not being able to test or market their technologies for extensive time periods because of other customers' lengthy development cycles. SAAB streamlines the technological development of itself and its partner suppliers in RMA meetings. This is a way of achieving effective communication, which has been argued to be required when technological change is fast (Iyer 1996). The firm strategy revolves around cost hunting, investment reductions, and sharing costs and investments among multiple actors. This trickles down to procurement strategy, where the focus lies on the COTS mentality and the gathering of volumes.

Second, SAAB avidly participates in international collaboration with customers as well as suppliers and other stakeholders. Focus is on making economic impacts on the societies of customers (Guay and Callum 2002) and to establish SAAB as a team player. For procurement, this turns into a strategy of developing partnerships and making way for offset contracts.

Third, SAAB has turned increasingly to taking a systems integrator role as part of its strategy. This involves manufacturing less in-house in favor of sourcing solutions from other actors and then integrating those into its aircraft. It also makes SAAB focus less on owning and selling its IPRs, which it will not have control over anymore when it is no longer the developer of those technical solutions. This part of the strategy also comes with a modular way of thinking that permeates all SAAB's work.

SAAB's systems integrator strategy involves an aim to be compliant with widespread international standards and systems. For procurement, this has influenced the standpoint on sharing IRPs and the high demands on the integrability of supplier's solutions. The combination of international standards compliance and the short upgrade cycles but long development cycles make SAAB a customer different from others. The high demands put on suppliers are combined with developments of competencies and a platform for quick technology iteration and testing, which is unique when looking at SAAB's competition.

The change in firm strategy has triggered the change toward Value-Based Procurement since the turn of the millennium. SAAB used to develop more solutions internally and order products instead of solutions. Prices paid were higher before, and SAAB was less interested in collaboration and sharing of knowledge and IPRs. The change in strategy has, thus, had great impact on how procurement is done and the kinds of value it brings to SAAB and its suppliers.

The current Value-Based Procurement Strategy of SAAB's Strategic Sourcing revolves around a small number of critical suppliers with which the company establishes cooperative negotiation and long-term relationships (see Janda and Seshadri 2001).

...

The surrounding context has been a highly influential driver in why and how SAAB adopted a Value-Based Procurement Strategy. Best described as being crushed between a rock and a hard place, traditional procurement had little potential to solve a puzzle when customers, on the one hand, asked for major cost and investment reductions, while suppliers, on the other hand, were much larger and unwilling to invest specifically in the mediocre business case of having SAAB as a customer. The need to make suppliers interested and, subsequently, dependent on doing business with SAAB demanded that procurement was able to transform the business case of doing business with SAAB into a lucrative and attractive option. SAAB solved this by transforming procurement into a function that excels at identifying and capturing alternative sources of value from the traditional volumes and prices that the company is unable to offer.

The surrounding context also contains circumstances that enable the specific supplier-directed value propositions used by SAAB. The political support to interact and collaborate intimately with other international actors, and the firm strategy to pursue this option, have allowed SAAB to offer value in terms of joint planning, sharing of IPRs and intelligence, and to allocate more of its procured products to one or a few key suppliers. The slow technology development cycles of the aircraft industry and the firm strategy to offer agility to customers are enablers of the value proposed to suppliers to quickly get their products implemented and tested. Competitors' and suppliers' lack of knowledge in areas such as cost reductions and specification and technical know-how, in combination with SAAB having that knowledge which it is politically allowed to share, is what allows SAAB to offer this knowledge transfer in their value proposition. Uniqueness describes, in general, the factors that enable a specific value proposition to be made. This is the very theoretical base of theories such as resource advantage theory (Hunt and Morgan 1996, Hunt and Davis 2012) and resource dependence theory (Pfeffer and Salancik 2003, Drees and Heugens 2013). It is the role of Value-Based Procurement to collaboratively identify and capitalize on such resource advantages within the procurement context (Frow and Payne 2011). It can be concluded that the surrounding context has driven SAAB to adopt Value-Based Procurement.

Analysis implications for theoretical model

The Supply Chains concept with its suppliers (Robinson, Faris et al. 1967, Johnston and Lewin 1996, Masi, Micheli et al. 2013), competitors (Bals, Laine et al. 2018), and customers (Iyer 1996) was relabeled Market Actors to include any actors on the market. This was because empirics suggest that suppliers are also competitors, competitors are also customers, and suppliers also provide directly to customers, and, consequently, the supply chain perspective is not useful. Power (Cox 2001) is central to Value-Based Procurement and the choice was made to reflect this by choosing the word Market, the connotation of which suggests that the actors apply market forces on each other (Porter 1979). Firm strategy (Bals, Laine et al. 2018) was, as suggested by the theoretical framework, central to the context of procurement, and was kept as-is. The remaining factors from the theoretical framework on surrounding context were bundled in an “outer context” category to reflect their independence relative to the strategic choices made by SAAB. The resulting restructuring of the theoretical model is depicted in Figure 15.

Figure 15: Restructuring of theoretical model for the surrounding procurement context

5.1.2 Specific context

The following section is summarized in Table 8, which tabularizes the empirical concepts that were consequently coded around the Inner context and Supplier topics. Theories that aided with wording and association during coding are also mentioned accordingly.

Inner context

Depending on the inner context (the specific context for a procurement situation), value propositions differ because value can come from needs that differ depending on a unique situation. Even for some procurement situations with partner suppliers, procurement might concern simpler or standard solutions where the efforts of Value-Based Procurement may not be worth it, but all partner suppliers qualify to be partners because they provide one or more critical products that demand careful cooperation between SAAB and its supplier (Kraljic 1983).

Because SAAB may or may not succeed in selling additional aircraft, depending on their success with sales and because sales are characterized by few important deals, the volatility of supply volumes is high one step back in the supply chain. Depending on the product supplied, volatility

can be high or low. One of the important tasks of the PAM in this context is to reduce the overall volatility by ensuring that parts that are not dependent on the sales volume of fighter aircraft are bought from the same supplier. From a total value perspective, fewer percent of the value for the supplier comes from sheer volumes when value also comes from joint planning, credible prognoses, and joint efforts. In other words, Value-Based Procurement works in this context as a form of volatility reducer.

A partnership usually covers several products, which all fall under different categories of innovation rates. SAAB's procurement works with anticipating changes regardless of the technology that is focused on. For some products, these changes are foreseeable, and the rate of change is slow, which means that SAAB can control the innovation together with the supplier to aim for what is needed. For other products, such as computer memory, the changes in technology can be anticipated, but they are still difficult to accommodate for when working with requirement compliance for modules. One barrier that inhibits SAAB's possibility to fully draw value from joint planning and the anticipation of technological change are the strict requirements from FMV that, for fast-changing technologies like computer memories, become impossible to update and get clearance for within the limited timeframe. For suppliers, regardless of the rate of change, it is beneficial to be informed about where SAAB's needs are heading. This is particularly true when development financing is expected to come out of the supplier's pocket.

The products procured from partner suppliers are, by definition, non-trivial. Product applications often involve complex relationships with other products and complex specifications and requirements. Thus, both parties must spend much time on the management of these complexities, and on synchronizing the collaboration between engineers on both sides. The relationships with other products, specifications, and requirements are unique for each procurement context, and so SAAB's needs change with each situation and so do the supplier's capabilities of providing for those needs. The needs of the supplier, on the other hand, do not change as much with each inner context.

Procurers and their suppliers' counterparts must consider a vast number of parameters that include the requirements on the products. Contracts only consider a subset of all parameters, but they still contain non-straightforward parameters such as offset business or IPRs. By introducing the partnership model, SAAB has further increased the number of parameters to consider. These include, for example, co-marketing, RMA, brand association, and priority to its partner suppliers. Not only the current agreement but also the continued relationship must be considered when procuring items from partners. All these things contribute to a great complexity in terms of

parameters under consideration. This is true for all partner suppliers and is a reason why a Value-Based Procurement Strategy is applicable over time and for multiple suppliers. If the complexities only occurred sparsely, the efforts associated with a procurement strategy based on investing in joint problem solving may not be worth the benefits of mutual understanding that they provide.

Two factors drive SAAB's efforts with standardization: the endeavor to buy and develop COTS and integrability in international systems. Module thinking currently permeates SAAB's way of working. Some products may be completely customized, but those products with large investments in development need to be as standardized as possible, so SAAB can share the costs with other actors.

In other words, complete standardization may be acceptable for simple products, and complete customization may equally be acceptable for cheap products. However, for the expensive yet critical systems bought from partner suppliers, both customization and standardization are priorities. This is a dilemma central to strategic procurement at SAAB as customization and standardization are conflicting opposites in many cases. SAAB's work in this context concerns reducing the conflict between these opposites. From a practical perspective, this is achieved by departing from and arriving at products that are close to COTS-acceptable, while remaining close enough to what SAAB needs, making the products need as little adjustment as possible. For partner suppliers and the critical products that they provide, this is a normal context that must be dealt with.

Summarizing the topic of complexity of the procurement situation (Lakemond, van Echtelt et al. 2001), it can be concluded that complexity and uncertainty are immense for the items procured from partner suppliers. Reducing uncertainty while capitalizing on and maintaining control over complexity are potential ways of realizing value.

The high volatility and business complexity as well as the technological complexity all contribute to creating a context in which Value-Based Procurement comes into its own because value must be identified and captured as it is not given as an obvious parameter by the exchange and the parameters usually discussed. For example, it is much more obvious to the parties that higher volumes will be beneficial to the supplier than it obvious that co-marketing can be conducted and will benefit both parties. In terms of information intensiveness (c.f. Ballantyne, Frow et al. 2011), technological complexity and change speed increase the technology information intensiveness, and volatility and business complexity increase business information intensiveness. Information intensiveness is generally high in the observed case of partnerships and the adoption of Value-Based Procurement.

New products are often developed with partner suppliers, but the procurement situation is not new. Partnerships last over time with deep connections between the firms. Uncertainty is managed with review meetings in which the parties try to foresee the future of technology and develop plans for how to approach that future together. RMA is a way for SAAB to avoid specific contexts in which the newness is high. In this sense, Value-Based Procurement also influences the inner context of specific procurement situations.

It is difficult to discuss the timeframe of a specific procurement context since the procurement extends through time, and, thus, the timeframe changes. For strategic suppliers to the Gripen system, the timeframe is often problematic at the beginning because the investments have payoffs far into the future. In later stages, SAAB maintains that timeframes are very strict because delays would delay the whole Gripen system, which would be devastating. In the beginning of projects, procurement's focus is on making the timeframe credible and making investments attractive to suppliers despite the distant payoff horizon. A long timeframe is also the cause of the need to plan for changing technology throughout the development of new Gripen systems. At later stages, timeframes can drain value if not managed. New requirements need to be anticipated and accounted for. These distinct phases are clear to senior procurement managers at SAAB, who express an obvious change in focus and priority as the Gripen project moves toward its later stages. In other words, even when adopting a Value-Based Procurement Strategy the need remains to consider traditional quality parameters connected to, for example, ordering and expediting. These parameters cannot be skipped, but they can be performed customized to the needs of both parties when informed by Value-Based Procurement.

In conclusion, the inner context is often such that it demands SAAB to work with providing other value than certain sales volumes and margins. The variability of the inner context also requires a case-to-case basis mutual understanding. Thus, the inner context often acts to encourage Value-Based Procurement for SAAB and likely for other firms in similar situations. Furthermore, the inner context is influenced by the procurement strategy, as a Value-Based Procurement Strategy effectively changes the context in which a specific procurement situation takes place. With partnerships containing activities to, for example, establish mutual understanding, joint plans and goals, interfaces, and routines, the inner context of a specific procurement context will be entirely different from what it would have been if those activities were not performed within the frames of the relationship. The activities cannot be skipped and would, instead, need to be performed at the beginning of the process.

Supplier

Product criticality is high for all partner suppliers, because this is the *raison d'être* for partner suppliers. In other words, the importance (Masi, Micheli et al. 2013) of their products to the Gripen project is critically high. SAAB cannot afford to leave the supply of these products to the supplier in good faith, instead it must manage the importance. Focusing on value for both parties and involving the supplier in close collaboration around this topic is one way of managing criticality because the supplier becomes invested in the relationship, which makes Value-Based Procurement a viable option.

Reductions of life cycle costs are central to firm strategy and critical to achieve for procurement. For partner suppliers, the products bought are often high-cost products that contribute significantly to the overall cost of an aircraft. The costs of products offered by the supplier will, thus, always be a topic for discussion, and the activities of Value-Based Procurement will likely change in content depending on whether or not costs need to be focused on to achieve reductions.

SAAB is in a low power position for all partner suppliers (Cousins, Lawson et al. 2008, Lawson, Cousins et al. 2009, Castaldi, ten Kate et al. 2011) with few, if any, alternatives available (Iyer 1996, Hunter, Bunn et al. 2006). SAAB does not even consider alternative suppliers if possible, because the company highly values established relationships. Instead, SAAB tries to establish attractive value propositions for the supplier to move from being dependent to being interdependent (Cox 2001). The elaborate effort to create such value propositions is partly what makes up the Value-Based Procurement concept of this thesis.

Partnerships with suppliers tightly intertwine the parties, and the unique organization of each supplier is matched with a customized interface toward SAAB. This is one of the activities engaged in by the PAM. The match between organizations dictates how well mutual understanding and collaboration can become. Therefore, the supplier situation part of the specific context influences how well parties can formulate attractive value propositions for each other.

Analysis implications for theoretical model

The situation-specific context was condensed into two emerging categories: the inner context and the supplier. The supplier was moved a category of its own because most issues discussed by SAAB regarding situation-specific contexts regarded either the specific relationship with the supplier or the specific technology being procured. This thesis analyzed the supplier partnership in terms of newness (Lakemond, van Echtelt et al. 2001), alternatives (Iyer 1996, Hunter, Bunn et

al. 2006), and power (Cousins, Lawson et al. 2008, Lawson, Cousins et al. 2009, Castaldi, ten Kate et al. 2011).

The rest of the theoretical framework subjects regarding context, including information requirements (Johnston and Lewin 1996), complexity (Iyer 1996, Lakemond, van Echtelt et al. 2001), technology (Ellram 1990), and impact/performance (Masi, Micheli et al. 2013), were technology related and were moved to the inner context, the name of which reflects its difference from the independent outer context discussed above in section 5.1.1. Some theoretical subjects, such as newness (Robinson, Faris et al. 1967), appeared in the empirical material both in terms of technology newness and supplier relationship newness and were used to inform both categories. Situation-specific context was changed to Specific context to shorten the name and reflect its contents. The resulting restructuring of the theoretical model is depicted in Figure 16.

Figure 16: Restructuring of theoretical model for the situation-specific procurement context

5.2 VALUE-BASED PROCUREMENT ACTIVITIES

The following section is summarized in Table 9, where the prevalent concepts from empirics are coded under categories that depart from the theoretical framework. However, the three procurement activities categories from theory (procurement management, supplier management, and specific procurement situation) were split into several more distinct categories as the empirics suggested during the coding process, and a fourth category called “Formal processes” was added to the procurement organization categorization.

Short summaries of the conclusions of this analysis are given in the “Implications from VBPS” column. Most conclusions are marked (E) for Enabling or (D) for Driving. The enabling type implications are argued to be critical factors for Value-Based Procurement to be successful, while the driving type implications are argued to contribute to a highly attractive value proposition in the specific context of SAAB (but arguably are general enough to be applicable in other contexts as well). The fourth column states the theory that inspired the coding and wording of each category and guides any reader who would like to dig further into any of the categories from a theoretical perspective.

5.2.1 Procurement management

From an extant theory perspective, procurement management generally concerns organizing and running the procurement function (Lakemond, van Echtelt et al. 2001, Lambros and Socrates 2001) and its interactions with suppliers. However, coding of the empirics suggests that procurement management be split into two distinct aspects; procurement management at SAAB concerns both Internal representation of the procurement function and Running the Strategic Sourcing division.

Internal representation of the procurement function

Procurement at SAAB became much more actively managed after the strategic change. The procurement function, in general, and Strategic Sourcing, in particular, have become increasingly involved in the firm strategy development with representation by the CPO and members on the Procurement Council. The importance of procurement for the firm’s ability to achieve its goals is recognized by company management. Procurement also assumes active responsibility for procurement. The responsibility is linked with autonomy and the mandate to make influential decisions quickly.

Table 9: Activities concepts from empirics

Empiric concepts	Axial coding category	Implications from VBPS	Theory informing axial coding (if any)
Procurement involvement in firm strategy Assuming responsibility for procurement Internal promotion of Strategic Sourcing	Internal representation of the procurement function	(E) Adoption of VBP implicates that procurement engages in establishing itself as a respected function with influence and responsibility.	-
Experience and knowledge sharing within Strategic Sourcing Knowledge management within SAAB Supply market understanding Securing supply availability Make-or-buy decisions Partnership concept development Mentoring by seniors Procurement organization	Running Strategic Sourcing	(E) Adoption of VBPS implicates a focus from procurement management to understanding supplier markets in terms of needs and capabilities. (E) Adoption of VBPS implicates high engagement in knowledge management activities. (D) Knowledge sharing can be a part of the value proposition.	Supplier diversity (Whitfield and Landeros 2006), Knowledge management (Tseng 2014), Outsourcing (Ford, Cotton et al. 1993), Sourcing decisions (Ramsay and Wilson 1990, Bals and Turkulainen 2017), Organizing procurement (Lakemond, van Echtelt et al. 2001, Lambros and Socrates 2001)
Facilitation of innovation anticipation Facilitation of idea capitalization Securing compatibility of procured modules Standardization of products Customization of products Facilitation of procured solutions acceptance	Supplier technology management	(E) Adoption of VBPS implicates engagement in activities to cooperatively, efficiently, and effectively find appropriate technical solutions. (D) The idea of standardizing to share cost is applicable to the value proposition.	Supplier benefits (Ramsay and Wagner 2009, Snals and Smits 2012)

Empiric concepts		Axial coding category	Implications from VBPS	Theory informing axial coding (if any)
Co-marketing with suppliers Intelligence provision to suppliers Collaborating around strategy development Joint planning with supplier Volume gathering for supplier Launch platform facilitation Knowledge sharing with supplier Strategy evaluation Relationship co-development Partner prioritization Championing for own supplier Supplier image improvement Interfirm joint evaluation Supplier need identification Being perceptive in supplier communication Investment planning Lowering costs		Supplier partnership value management	(E) Adoption of VBPS implicates high engagement in partnership value identifying and enhancing activities. *	Evaluation (Pressey, Izokas et al. 2007), Relationship value (Ravald and Grönroos 1996)
			*The value enhancing activities of the SAAB case are for example: image improvements through association, co-marketing, intelligence, planning, volumes, knowledge sharing, and prioritization.	
		Supplier cost management	(D) Costs are one of many possible parameters (and likely often an important one) that can be controlled to capture value in VBP.	Open books (Kajüter and Kulmala 2005, Agndal and Nilsson 2010), Waste minimization (Lamming, Caldwell et al. 2005)
		Supplier interaction management	(E) Adoption of VBPS implicates high engagement in interaction coordinating activities.	Resource allocation (Teller, Kotzab et al. 2016), Knowledge management (Iseng 2014)
		Supplier relationship management	(E) Adoption of VBPS implicates that management of supplier relationships will aim to enhance the supplier's perceived value of doing business with the company.	Supplier development programs (Prahinski and Benton 2004, Forkmann, Henneberg et al. 2016), Dependency (Cox 2001, Cox, Watson et al. 2004)
Collaboration management Mapping interactions Interface coordination Inter-firm contact matchmaking Supplier management decisions Improving supplier's view of SAAB Increasing supplier dependency on SAAB Business case argumentation Executive representation Unilateral evaluation				

Empiric concepts		Axial coding category	Implications from VBPS	Theory informing axial coding (if any)
Purchaser information management		Procurement process activities	Adaption of VBPS implicates a procurement process with a focus on the latter stages of what is traditionally viewed as the procurement process. (E) Adoption of VBPS implicates the existence of mediation-oriented activities aimed at turning mutual understanding of needs and capabilities into mutually valuable agreements.	Specific procurement situation (Johnston and Lewin 1996), Specification (Cavinato 1992), Communication (Carr and Smeltzer 1999, Prahinski and Benton 2004, Paulraj, Lado et al. 2008), Negotiation (Herbst, Voeth et al. 2011, Thomas, Thomas et al. 2013), Contracts (Talluri and Lee 2010, Caldwell and Howard 2014, Li, Ryan et al. 2015, Chen, Dada et al. 2017), Evaluation (Humphreys, Mak et al. 1998), Logistics (Larson and Halldorsson 2004, Rodrigue 2012), Ordering (Cardozo 1983), Steps in procurement process (Cardozo 1983, McQuiston and Dickson 1991, Burger and Cann 1995, Ghingold and Wilson 1998, Hunter, Bunn et al. 2006), Analysis (Webster and Wind 1972, Kaufman and Popkowski Leszcyc 2005, Barclay and Bunn 2006, Juha and Pentti 2008, Aarikka-Stenroos and Sakari Makkonen 2014), Contextualization tasks (Simpson, Power et al. 2007, Dabhikar, Bengtsson et al. 2016), Understanding internal needs (Nicosia and Wind 1977)
Purchaser information analysis				
Purchaser information distribution				
Task force mediation of internal needs				
Task force tradeoff decisions				
Task force procurement strategy development				
Task force procurement budget development				
Task force following regulations				
Negotiation				
Contract drafting				
Strategic Supplier Council purchasing decisions				
Strategic Supplier Council purchasing precision improvement				
Strategic Supplier Council evaluation and feedback to task force				
CPO Contract signing				
Engineer technical evaluation				
Project manager project management				
Ordering & Expediting ordering				
Ordering & Expediting product reception				
Ordering & Expediting product evaluation				

The improvements help to establish credibility and authority of the procurement function as an autonomous and strategic instance. Internally at SAAB, the procurement department has claimed a stance showing that they are a key to achieving the company wide strategy. Procurement also becomes an appreciated function when its work results in project budgets being met and engineers achieving solutions that fit with the development. This comes at the cost of a larger procurement effort, but it is a necessity as the Value-Based Procurement Strategy relies on being able to make strategic sourcing decisions that have effects on all divisions and projects. Thus, the internal representation of the procurement function is an often over-looked yet critical aspect of becoming a Value-Based Procurement function.

As discussed in theory, capturing value relies on making connections between internal needs, firm strategy, and suppliers to achieve value. Making such connections requires a certain level of influence. It was observed herein that, parallel to the adoption of Value-Based Procurement, a move was also made by the procurement function toward gaining respect, influence, strategic responsibility, and autonomy. It is proposed accordingly therefore that the **adoption of Value-Based Procurement implicates that procurement engages in establishing itself as a respected function with influence and responsibility**. This is an enabling factor in the sense that achieving influence is likely to be a necessity for Value-Based Procurement to function as intended.

Running Strategic Sourcing

Managers of the Strategic Sourcing division are presented with a myriad of tasks and issues to consider. Entering partnerships with suppliers means allocating costly resources and becoming highly dependent on a single external actor. In that context, it is important to understand in detail the alternatives available (Whitfield and Landeros 2006) to make correct sourcing decisions (Ramsay and Wilson 1990, Bals and Turkulainen 2017). Constituting another theoretical alternative to consider, procurement management must also make the continuous decision whether to source from a supplier or to make internally (Ford, Cotton et al. 1993). The make-or-buy decision has been central to the strategic change at SAAB. SAAB is going from the internal design of solutions and mostly manufacturing internally to a systems integrator that buys most solutions and that buys products specified by functionality rather than attributes. The driver in this change is the reduction of upfront investments as well as life cycle costs. COTS is part of SAAB's approach to achieving this. Knowledge loss is a concern that is considered, but SAAB seems to rely on engineers working collaboratively with suppliers and maintaining sufficient knowledge in-house. Nevertheless, there is a potential risk of a partner supplier terminating the

partnership and SAAB, subsequently, missing the knowledge needed to continue without interruption.

For the partnership suppliers, the strategic importance of the relationship to SAAB is consistently high. SAAB may reevaluate this strategic importance at some point, but there is no formal activity that involves this kind of reevaluation. Instead, SAAB knows that these suppliers are continuously important. SAAB puts effort into making suppliers believe that SAAB is of equal importance to them. SAAB would like to influence the evaluation done by the suppliers in how important SAAB is to them. By getting into a high importance position, SAAB hopes to gain interest and support. Extremely low prices are not within the reach of SAAB, which will never get the volumes comparable to some competitors, and, thus, these are not possible options for SAAB to use to gain interest from suppliers.

When working around developing attractive value propositions for suppliers, it becomes important to understand the supply market because the value perceived by the suppliers is dependent on alternatives. For example, for some of SAAB's partner suppliers, the technical launch platform that the Gripen project provides may not be as attractive if other ways for the supplier's technology to get tested quickly are available. Another part of improving the value propositions for partner suppliers is continuously developing the partnership concept.

As value is relative to the alternatives, i.e. the market, and a genuine understanding of the alternatives on the supply market and of suppliers' customer markets aids in decision making regarding with whom and how to engage in business. It is thus proposed that the **adoption of a Value-Based Procurement Strategy implicates a shift in focus from procurement management to understanding supplier markets in terms of needs and capabilities**. This is an enabling factor in the sense that it is the essence of Value-Based Procurement to make strategic decisions that enable attractive value propositions to be made for suppliers and the own firm. Such decisions cannot be made without a proper understanding of the actors' needs and capabilities.

SAAB recognizes the need for knowledge management (Tseng 2014), and the company views its technological capabilities as crucial to its success. However, these capabilities mainly concern the knowledge and structure needed to create one of the critical technologies required to assemble a Gripen System and, thus, are the responsibility of the engineers. It can, nevertheless, be concluded in the SAAB case that, although much less bespoken by SAAB, great efforts also go into knowledge management within the Strategic Sourcing division. Seniors support Purchasers and PAMs with mentoring, and experience and knowledge are shared among PAMs in weekly meetings dedicated to these activities. Senior procurement managers maintain that the aim of

such experience sharing is for the participants to pick up ideas from one another and implement those ideas in the partnerships and supplier relationships in which they are involved.

In conclusion, value achievement builds on understanding the complex interactions between the needs and capabilities of both parties. Mentoring and other procurement knowledge management endeavors aid in maintaining the knowledge needed for developing attractive value propositions. This thesis thus proposes that the **adoption of Value-Based Procurement implicates a high engagement in knowledge management activities**. These activities help enable the adoption of Value-Based Procurement through allowing those involved in the development of value propositions to do so more effectively. Thus, these activities may not be necessary for Value-Based Procurement to be adoptable, but they are instrumental to its success.

For SAAB, knowledge management is also a driver in the sense that knowledge sharing is a part of the value proposition. Suppliers value technological knowledge, but also SAAB's knowledge of what its own needs are, and the possible needs of the supplier. While value drivers are context dependent, this driver may be applicable for firms in similar contexts where knowledge is valuable to the supplier, which matches most contexts.

5.2.2 Supplier management

Supplier management was split into five categories as the empirics concerned this theme to a great extent and because the five categories were naturally distinguishable from each other. Supplier technology management covers the efforts to develop, procure, adapt, and adopt the appropriate technological solutions needed for SAAB's projects. Supplier partnership value management deals with efforts to increase the supplier's value derived from the partnership. Supplier cost management is a narrow category but covers the central topic of reducing the costs associated with a specific supplier. Supplier interaction management bundles the activities performed to enable the partners to work together. Last, Supplier relationship management deals with the work on developing a highly interdependent and appreciated relationship.

Supplier technology management

In interviews, SAAB frequently mentions its work with procuring what is appropriate for the application instead of what is superior from a strictly technological perspective. This work concerns activities such as facilitating for joint work to anticipate future technology, capitalize on novel ideas for solutions to SAAB's technological needs, securing compatibility between models and ensuring the procured solutions as accepted by other departments at SAAB. It also concerns

the key concept of COTS through the activities of standardizing and customizing the solutions to fit both SAAB's and the supplier's technical and commercial needs.

These issues are central to the concept of value because the greatest value comes not from excelling in the technological aspect only but by carefully weighing multiple parameters – technological, commercial, logistic, and political – for both parties. Value-Based Procurement focuses on having the “right” technology for the situation, and not the best technology out there, because this is what is most effective and what will outperform competing supply chains in terms of value. Getting the full picture needed to optimize this activity involves effective communication and genuine collaboration. It is thus proposed that the **adoption of a Value-Based Procurement Strategy implicates engagement in activities to cooperatively, efficiently, and effectively find appropriate technical solutions.** This aspect enables Value-Based Procurement to become what it is – a procurement strategy that minimizes the waste (Lamming, Caldwell et al. 2005) of value from disregarding parameters due to over-focusing on another parameter.

For SAAB, a key driver of value is the COTS mentality because suppliers value being able to offer standard technology that can be tested and co-developed and also sold to others. While maybe not valuable to suppliers in other contexts, the basic idea of standardizing to share cost is always applicable to the value proposition.

Supplier partnership value management

SAAB does not outsource any of its procurement tasks (Bals and Turkulainen 2017), but it does involve its suppliers in many of the tasks, such as joint planning and co-marketing. The outsourcing of product development shows the anticipated effects, such as effective cost structures, but also the risks of knowledge loss and dependability (Ford, Cotton et al. 1993). The strategic importance of procurement from partner suppliers is naturally high (Kraljic 1983, Iyer 1996), but finding and working with multiple suppliers at the same time is difficult or impossible (Ramsay and Wilson 1990). Procurement at SAAB is customized to the challenges posed to it (Lambros and Socrates 2001). SAAB streamlines its procurement organization (Lakemond, van Echtelt et al. 2001) and accommodates for communication enhancement with task forces (Lidegaard, Boer et al. 2015).

SAAB also makes suppliers more dependent on the company by involving them in continuous activities that provide value over time. One such activity is joint planning and intelligence work. If a supplier chooses to leave SAAB, it would have to accept the end of that continuous source of market intelligence. Joint planning is useful to SAAB as well. Suppliers get a chance to develop

what SAAB needs and to steer SAAB in a direction where the supplier gets to sell more. In this sense, the suppliers are invited to participate in strategy development at SAAB.

Predictability is of key importance to SAAB, which has time plans per date for many years into the future. The potential loss of predictability when outsourcing has been countered by SAAB by extremely close collaboration with key suppliers, with a focus on issues such as development, securing supply, and getting attention from suppliers' management. Predictability is also a part of the value proposition toward partner suppliers. SAAB argues that suppliers can plan based on SAAB's information and vice versa, and that joint strategies can be developed.

Managing partner suppliers is vital to SAAB as there are very few alternatives available, and a change would be extremely costly. Reducing its dependence on the handful of suppliers that qualify as partners to get into a dominant position is not possible for SAAB with its current strategy of relying on partners. Instead, SAAB aims to move the relationships into an interdependent situation (Cox 2001, Cox, Watson et al. 2004). One part of this effort is the gathering of procurement volumes at these key suppliers. Alpha provides a large range of products that can be gathered and presented back to Alpha as a big volume business case. Beta only provides a few products (although surmounting to large sums), but there is potential to allocate other products to their account. This effort increases purchasing power (and may lower prices) but it also leads to SAAB taking a larger supply risk in the event a key supplier chooses to terminate the agreements. SAAB trusts its partner suppliers to not take such action, and the close collaboration between the parties helps reduce that risk through interfirm trust. From suppliers' perspectives, this volume gathering effort provides dual value: in terms of larger volumes and in terms of an increasingly dependent customer. A potential sacrifice is the lower price levels.

The partnership model is the result of SAAB's strategy for procurement. Partners are given priority over other suppliers, but SAAB PAMs admit that their communication of this benefit is an area of potential improvement. The priority promise has a function similar to the gathering of procurement volumes: it increases expected sales volumes for suppliers while exposing SAAB to single sourcing supply risks. A potential benefit for SAAB is the reduced need to look for alternatives when initiating a purchase. SAAB's choice to develop existing supplier relationships fits with recommendations in literature for firms in similar situations (Forkmann, Henneberg et al. 2016).

SAAB decides which suppliers to approach largely based on partnership status. Partners are approached before other suppliers and are expected to work closely enough with SAAB and offer reasonable prices to qualify as viable sourcing alternatives. The criticality of products to SAAB

would, in a new purchase task situation, probably make SAAB rely on a known brand (Blombäck and Axelsson 2007). However, with partner suppliers, SAAB has accumulated experience of performance and trustworthiness, in addition to established interfaces and personal relationships. Therefore, the brands of these suppliers play little role in being selected as a potential supplier. However, when looking at the next step in the supply chain, customers seem to value that SAAB makes use of certain credible suppliers, such as Alpha and Beta.

The PAM assumes a champion role for its partner supplier. PAMs compete internally at SAAB for the volumes of their respective suppliers. This benefit is not articulated but could be substantial for suppliers. Looking at the supplier strategies on a meta level, SAAB gives suppliers confidence in that SAAB will be a good customer. SAAB also tries to create ways of increasing supplier dependency on SAAB; the suppliers should both *want* to remain and *need* to remain with SAAB.

Need exploration is a central concept in SAAB's strategic procurement, although SAAB sees it as a trait of flexibility or perceptiveness. Being a dynamic and perceptive customer involves talking to suppliers to find out things, such as when Beta needed their provided product back after the Gripen Demo. Need exploration also concerns communicating internally to make sure that needs are met both with engineers (technological needs), the legal department (FMV regulations and aircraft clearance) and project managers (budget and timeframes). Need exploration is informal and has not been defined as an activity in SAAB's procurement-related processes, but it is potentially highly valuable to both suppliers and SAAB. This activity is, however, almost impossible to explicitly include in the value proposition, as this is a dynamic capability. This value is communicated by performing and being trustworthy over time, thus, making the supplier experience the benefits of need exploration.

Communication is repeatedly cited as key to working partnerships with suppliers, which is nothing new to the procurement field (Webster and Wind 1972). SAAB Strategic Sourcing works extensively with its inter- and intra-firm communication through the allocation of roles, such as the PAM, and activities, such as RMA and review meetings.

Additional examples of activities that were mentioned in interviews by SAAB as adding value to the suppliers, and that can all be categorized as driving the value achieved from engaging in partnership with SAAB rather than supplying specific solutions to SAAB, are: the facilitation of a technology launch platform, knowledge sharing with the supplier (technological, commercial, political), improving the image of the supplier, and engaging in collaboration on relationship development and evaluation (Pressey, Tzokas et al. 2007).

Looking at SAAB's efforts in this area, it is evident that the partnership (i.e. relationship) contributes with a large – if not major – chunk of the value to the supplier being involved with SAAB. Value-Based Procurement concerns capturing value from other aspects than technology. Therefore, with this type of procurement strategy, come activities related to the identification and enhancement of relationship value. The specific set of activities naturally depends on the context and will be different in other companies than SAAB. Thus, it is proposed that the **adoption of a Value-Based Procurement Strategy implicates high engagement in partnership value identifying and enhancing activities**. These kinds of activities enable Value-Based Procurement to move beyond the value of obvious parameters, such as payments to suppliers, and inflate the total value perceived and achieved by the parties.

Supplier cost management

SAAB works on cost collaboratively with partner suppliers through discussions on how features might affect cost. Cost calculations also include how suppliers can get payoff on their investments into product development, counting over multiple customers. The cost calculations and other cost-reducing knowledge-based activities are central to the value propositions toward partner suppliers, and they benefit both parties, albeit with high demands on time investments from both of them. SAAB does not require its suppliers to open their books but rather invites them to share their preferences and indications of cost-driving factors (Kajüter and Kulmala 2005, Lamming, Caldwell et al. 2005, Agndal and Nilsson 2010). SAAB claims to strive to reduce the total cost of ownership of its procured solutions, and another possible way of viewing its work, is as a form of waste minimization (Lamming, Caldwell et al. 2005), where costs are acceptable if they generate enough benefits to be worthwhile.

Costs may almost always be one of the focal points in a business relationship. This is also true for Value-Based Procurement, however, only if costs are an important parameter to capturing value. For SAAB, despite deriving value for itself and its partner suppliers from numerous other parameters, costs and investments have been driving factors in the adoption of a Value-Based Procurement Strategy. There is no reason to believe that costs would be less or more focused on in Value-Based Procurement than in other procurement strategies and methods. SAAB's cost-lowering focus constitutes one of the underlying contextual reasons that Value-Based Procurement was adopted in the SAAB case, but the driving factors may be different in other cases. Nevertheless, the activities to achieve cost reductions in practice are essential to SAAB's procurement work because cost reductions constitute one of SAAB's most important needs. In

general, costs are one of many possible parameters that can be controlled to capture value in VBP. In this sense, costs can be a driver for the value propositions in both directions.

Supplier interaction management

SAAB maintains that its dynamic resource allocation and informal hierarchies are sources of value because they allow people to get involved in projects on a need basis. Much work goes into getting equivalents on the supplier side for people involved in projects. Besides the Aeronautics division, other business areas of SAAB may also be in contact with the suppliers managed by PAMs. The PAM needs to know the contents of such interfaces, but as no one directly reports to the PAM, the PAM needs to be proactive on this point and look actively for such informal interfaces.

The interfaces and the interactions within them are where much of Value-Based Procurement takes place. It is together with the supplier that the customer can be transparent about needs and jointly be creative about possible solutions to those needs. This requires people meeting at multiple times and locations, for different reasons, and, at SAAB, the coordination of these meetings falls on the PAM. In other cases, the role involved may be different, but the activity to coordinate the interfaces remains important in the sporadic and communication-intensive environment of Value-Based Procurement. The interface coordination can be seen as a form of supplier management practice (Bals, Laine et al. 2018), and it seems to be especially important in Value-Based Procurement. Thus, it is proposed that an **adoption of Value-Based Procurement Strategy implicates high engagement in interaction-coordinating activities**. Collaboration through such interfaces is of essence for Value-Based Procurement, and, therefore, the coordination of such interfaces is an enabling factor for the adoption of such a strategy.

Supplier relationship management

SAAB hopes to become more technologically cutting-edge by letting suppliers be the experts at their technology and, instead, focus on the integration of systems. This strategy comes with a much higher dependency on suppliers, which are in a high-power position in relation to SAAB. SAAB tries to counter this with a single-sourcing long-term solution where they aim to increase suppliers' dependency on the company, making the parties interdependent (Cox 2001, Cox, Watson et al. 2004). Measures toward this goal include providing, in unique ways, for the needs of suppliers, such as having technology launch platforms or being associated with cost-effective high-tech solutions.

Review meetings are held for reasons that are twofold. They allow SAAB and its partner suppliers to develop a joint strategy for marketing and development, and they help establish the importance of the supplier formally. Having dedicated meetings where management at different levels are invited helps get the support of the supplier's management. This is particularly true for the highest meetings in which executives represent their firms in a formal effort to establish importance to one another. This, in turn, is a way of securing priority that causes the supplier to remain with SAAB.

SAAB does not apply a general strategy for evaluating suppliers other than key performance indices such as life cycle costs and volumes (Pressey, Tzokas et al. 2007). Instead, each PAM develops a strategy for its own supplier and evaluates the supplier based on this document. Monthly meetings between PAMs and meetings with seniors are example activities during which this evaluation is done. The purpose of evaluation is to detect negative trends and areas of potential improvement and to establish a plan for how the supplier can be developed (Prahinski and Benton 2004, Forkmann, Henneberg et al. 2016). Evaluation becomes a qualitative effort that spans across all other activities. A non-performing partner supplier will be identified in the early stages.

In contrast to Supplier partnership value management discussed above, Supplier relationship management concerns improving SAAB's position within the relationship with its suppliers and improving its standings with people within different levels of the supplier organization. The company is more concerned with increasing perceived value than it is with increasing the actual value captured by the supplier. This is a form of looped logic in which support from the supplier's organization is required for transparency between the firms, which is required for the value identifying activities that need to take place for value to be effectively captured, which increases support from the supplier's organization. Thus, increasing the supplier's dependency on SAAB, arguing for the business case, having executives confirm the importance of the relationship, and similar activities, all work to speed up the logic loop and increase the willingness to be transparent and do business with SAAB. This thesis, therefore, proposes that an **adoption of Value-Based Procurement Strategy implicates that management of supplier relationships will aim to enhance the supplier's perceived value of doing business with the company.** This enables the other activities to be performed by increasing the willingness to work together and the transparency of the supplier.

5.2.3 Specific procurement situation

Within the context supplier partnerships, procurement processes are initiated when needs to procure items arise. The specific procurement situation refers to activities that are done within such processes. SAAB clearly defines what it views to be its procurement process with four distinct stages: preparatory work, supplier-specific preparations, negotiation preparation, and review (separated by four decision gates). Within each stage and over multiple stages, any number of activities can take place.

Engineers at SAAB come from a history of developing exactly what is needed, and often pushing the technology to levels that were not needed for the required performance of the system. This mentality clashes with the new strategic idea of buying COTS. Adding to this conflict is the budget attached to projects. SAAB solves these conflicts by introducing Procurement Task Forces in which all conflicting interests internally at SAAB can be represented and dealt with. The Procurement Task Forces are not a source of value for suppliers but mostly for SAAB's internal needs. However, these teams may also contribute to getting the acceptance of suppliers' solutions internally, since people from all departments are involved in the process and decision making behind the procurement of the solution.

SAAB's needs display complexity in many ways. First, SAAB procurers do not know SAAB's needs because the needs are in highly technically complex areas. Second, the needs change over time because they depend on other modules and a system in which everything is integrated. Modules are a way of minimizing the impact through clear interfaces that should not be changed if possible, although change still happens. Third, needs depend on external interests, such as where FMV or other customers make demands on functionality, on a detailed level. SAAB manages this through Procurement Task Forces. The difficulties of pinpointing needs must be managed by SAAB, and this is a costly process.

Specifications are done on multiple levels by SAAB, from flying capabilities down to very specific technical functionality. Engineers are tasked with the specification, but PAMs indicate that they must act as a counterbalance to avoid specifications that are unnecessary and costly. The specification work is costly, but a must-do for SAAB, and has proven to be a strength when working with suppliers who are awed by the digital models and work procedures used by SAAB. These advanced modeling and specification tools help SAAB's image of being a high-technological and serious company. For this reason, engineers are included in the Procurement Task Forces.

SAAB's contracts are project based, and projects, such as the Gripen Project, are typically extensive in time. Suppliers are invited to share risk through limited levels of compensation from SAAB in the event envisioned sales amounts are not met. SAAB has, with its new strategy, gone from paying for development or doing development internally to having its suppliers develop. SAAB then pays for the products only. Expected performance is not specified in the contracts in terms of co-marketing, investments of time in RMA, and review meetings. Performance on these points is implicitly expected by each party. The contracts developed are shared between projects and reused by other divisions at SAAB, which gives them a major impact on the realized value from the supplier.

Ratification of an agreement is made in stages throughout the procurement process by the Procurement Council. Contracts are signed by the chief procurement officer, but the signature is merely a formality since the PAM and the Procurement Council has already justified the agreement. An ordering and expediting organization then takes over the contract on which the project and other projects can place orders. Value realization from the exchange comes after the agreement point, but, it should be noted, that parties may draw value from their collaboration during the earlier stages of the process as well.

SAAB evaluates supplier partnerships partly in cooperation with each supplier through a discussion on the current performance and how to improve. Focus is on reducing life cycle costs for SAAB while also being able to develop and use the latest technology. Partner suppliers are internally discussed by SAAB in terms of how well they collaborate and a myriad of other qualitative aspects that often depend heavily on the subjective opinions of the PAM. Monthly meetings with all PAMs are held, and suppliers' performance and evaluation are the topics of these meetings. Evaluation goals are also formalized in the RMA process where the supplier together with SAAB tries to reach the highest levels for a technology. Additionally, SAAB develops and evaluates strategy documents that are cleared with the Strategic Supplier Council. These documents are one-sided, and their development or use does not involve the supplier. Costs are measured and evaluated according to life cycle cost calculations.

...

None of the activities stated within SAAB's procurement process are new from a theoretical point of view; SAAB engages in activities such as specification (Cavinato 1992), communication (Carr and Smeltzer 1999, Prahinski and Benton 2004, Paulraj, Lado et al. 2008), negotiation (Herbst, Voeth et al. 2011, Thomas, Thomas et al. 2013), contract drafting (Talluri and Lee 2010, Caldwell and Howard 2014, Li, Ryan et al. 2015, Chen, Dada et al. 2017), evaluation (Humphreys, Mak et

al. 1998), logistics (Larson and Halldorsson 2004, Rodrigue 2012), and ordering (Cardozo 1983). This is expected as SAAB's procurement process was developed to be applicable in all areas of the company, not just Strategic Sourcing and supplier partnerships. Instead, attention is paid to what SAAB does within the procurement processes that procure from partner suppliers. In this context, several activities that are of significance to Value-Based Procurement Strategy can be highlighted.

First, the procurement process in the context of partner suppliers starts from the platform that the partnerships constitute. In other words, Value-Based Procurement lays the foundation on which the procurement process can stand and depart from. One example is evaluation, which is done continuously of, and partly together with, partner suppliers. The evaluation activity of the procurement process will, thus, be half-done for a partner supplier. Another example is the contents of an RFP that, for a partnership supplier, will often be expected and sometimes even co-developed with SAAB.

A difference can be seen when comparing with negotiation theory that mainly examines possible value identification in the negotiation itself or negotiation preparations (Lax and Sebenius 1986, de Dreu, Koole et al. 2000, Lax and Sebenius 2003). In contrast to negotiation theory, the search and discovery of opportunities to capture additional value does not happen during negotiations in the context of partner suppliers for SAAB. Instead, it is a matter of earlier discussions in RMA and similar forums. These discussions could be viewed as early stages of a negotiation too, but they are not viewed as such by SAAB. Negotiation is a stage of the procurement process, and that process is preceded by TechSource and RMA processes in which value identification mainly occurs. Negotiations are conducted by people who have been selected for the task specifically by the Strategic Supplier Council in collaboration with the task force. Negotiations with SAAB's partner suppliers are formalized as a step in a process, but the joint determination of agreeable conditions is broader and happens throughout all interactions of the partnership (Reid, Pullins et al. 2002, Olekalns and Smith 2013). Negotiations are the formal phase in which conditions become formalized and value appropriation takes place (Li, Ryan et al. 2015).

Value-Based Procurement is a strategy that builds on knowledge of the parties' needs and capabilities. Procurement happens within the context of a relationship that takes time and effort to establish but that allows procurement to take a modified route through the procurement process instead of starting from a *Carta Blanca*. In particular, the earlier steps of the traditional procurement process may be sped up or skipped altogether because they were already done within the context of the relationship; these activities are not any less important, but they belong

with the relationship rather than the procurement process. Thus, it is proposed that **the adoption of a Value-Based Procurement Strategy implicates a procurement process with focus on the latter stages of what is traditionally viewed as the procurement process.** This is an effect of, and not a prerequisite for, Value-Based Procurement.

Another observation is that mediation-oriented activities may be equally or even more important than the ones defined in the procurement process. Examples of such activities are mediation of internal needs, tradeoff decisions, and ensuring that regulations are followed. These mediation-oriented activities take the early, vague value propositions and gradually refine them into agreements that, in extension, can be executed to reach actual achieved value for divisions throughout both organizations. The Procurement Task Force and the Strategic Supplier Council are central to the execution of these activities at SAAB. As Value-Based Procurement Strategy builds on facilitating the procurement organization to make credible value propositions to suppliers, the execution and actual achievement of value is paramount to making the strategy sustainable. Thus, the activities that anchor the agreements in the mutual understanding of needs and capabilities spread out over the people involved in the organizations are one of the enabling factors in Value-Based Procurement. Accordingly, it is proposed that **the adoption of a Value-Based Procurement Strategy implicates the existence of mediation-oriented activities aimed at turning mutual understanding of needs and capabilities into mutually valuable agreements.**

The negotiation activity is central to the appropriation of value. This is where a price is set and expectations are formalized. A final observation is that appropriation of value is largely done based on what comes “natural.” For instance, when Beta agrees to participate in the sales efforts of SAAB, neither of the parties are compensated through the exchange of some other parameter such as a payment. Beta invests its time, and so does SAAB. They are both rewarded by hopefully larger volumes of sold Gripen systems. It is suggested that the “we-are-in-this-together-mentality” from being in a partnership with each other makes the parties implicitly expect that both companies will make efforts to improve value for each other without explicitly asking for compensation, i.e. favors and returned favors. The pricing of agreements concerning items procured through the procurement process concerns only parameters directly related to the items procured, such as development, materials, and logistics.

Analysis implications for the theoretical model

Procurement management was divided into two categories. Internal representation of the procurement function was an area without literature support, but with strong presence in the empirics. The theoretical framework concerning procurement management was useful for

understanding the other activities relating to supplier diversity (Whitfield and Landeros 2006), knowledge management (Tseng 2014), sourcing (Ramsay and Wilson 1990, Ford, Cotton et al. 1993, Bals and Turkulainen 2017), and organizing procurement (Lakemond, van Echtelt et al. 2001, Lambros and Socrates 2001). These were put into the category Running Strategic Sourcing.

When activities related to Supplier management were coded, five new categories emerged as mutually distinct:

1. Supplier technology management is a category that contains a central group of activities for implementation of Value-Based Procurement and which can be described as buying what is right by weighing multiple needs of multiple parties. This category relates to the “Joint identification of value capture” from the theoretical framework. The need realization (Johnston and Lewin 1996, Ghingold and Wilson 1998) originating from the Specific procurement situation part of the theoretical framework relates to this category. Supplier benefits (Ramsay and Wagner 2009, Smals and Smits 2012) were a useful concept, but the concept deals with the existence of benefits, not the activities to uncover those benefits.
2. Supplier partnership value management regards all activities done to increase the value of the partnership instead of from a specific procurement deal. The “Joint identification of value capture” type of activities belong to this category too. Perspectives on evaluation (Pressey, Tzokas et al. 2007) and relationship value (Ravald and Grönroos 1996) from the marketing literature informed this category.
3. Costs were a driving factor in the adoption of a Value-Based Procurement Strategy in this study, and so Supplier cost management was introduced as a category. It reflects the “Collaboration on cost” activities from the theoretical framework, focusing on open books (Kajüter and Kulmala 2005, Agndal and Nilsson 2010), and waste minimization (Lamming, Caldwell et al. 2005).
4. Resource allocation (Teller, Kotzab et al. 2016) and knowledge management (Tseng 2014) from the theoretical framework formed the Supplier interaction management category. The empirical material of this study suggested that such efforts are central activities in the implementation of a Value-Based Procurement Strategy.
5. As suggested by the theoretical framework, management of the supplier relationship was a critical part of the activities in which the procurement function engaged. The theoretical framework activities “Power and dependence management” (Cox 2001, Cox, Watson et

al. 2004) and “Relationship strategy and evaluation” (Prahinski and Benton 2004, Forkmann, Henneberg et al. 2016) were accordingly coded into the Supplier relationship management category.

The Specific procurement situation remains, however, its name was changed to Procurement process activities and the contents changed. The name change was natural as specific procurement situations tend to be characterized as processes with starting points, stages, and end points. The activities within this category were similar to those in the theoretical framework, albeit with a different focus, but the framework served well for wording and asking questions. Influential theory is too extensive to repeat here but can be found in Table 9. The same table also exemplifies the activities found in empirics that took place within procurement processes. The resulting restructuring of the theoretical model is depicted in Figure 17.

Figure 17: Restructuring of theoretical model for procurement activities

5.3 VALUE-BASED PROCUREMENT ORGANIZATION

SAAB has stated that the activities are the first issue approached by managers when structuring the procurement function, and the organization is the last issue in the sense that the organization is formed around the activities. Some interesting conclusions can, however, still be made by looking at the organization (Schneider and Wallenburg 2013, Akin Ateş, van Raaij et al. 2018) that has been formed by SAAB around its procurement activities. The following discussion and its key concepts are tabularized in Table 10.

5.3.1 Groups

Value propositions build on needs that are scattered throughout the stakeholder groups within the organizations. It is evident from the empirics that strategic procurement at SAAB concerns several groups internally, and the internal value propositions need to accommodate for those groups. The Procurement Task Force is the most important group for Value-Based Procurement because it has the function of mediating between internal needs. (See *Specific procurement situation*).

The Procurement Task Force is a formal constellation that spans multiple local divisions and remains largely intact throughout the procurement process, but it varies between different projects and procurement tasks. In general, it can be thought of as a kind of cross-functional team that aligns internal needs with external needs. The cross-functionality is important, because it is not only the activities of this team but also the composition of the team that enables it to function as a need mediator. The cross-functional team also facilitates acceptance as members of multiple divisions can perceive their division as being represented in the procurement decisions. Thus, the proposition is that **the adoption of a Value-Based Procurement Strategy implicates including cross-functional teams in the procurement organization**. These teams enable value-based procurement by providing a structure for need accounting and acceptance of agreements.

Table 10: Organization concepts from empirics

Empiric concepts	Axial coding category	Implications from VBPS	Theory informing axial coding (if any)
Procurement Task Forces	Groups	(E) Adoption of VBPS implicates including cross-functional teams in the procurement organization.	Centralization (Giunipero and Monczka 1997, Trautmann, Bals et al. 2009, Trautmann, Turkulainen et al. 2009, Jia, Orzes et al. 2017), Standardization (Johnston and Lewin 1996, Bals, Laine et al. 2018), Organization in general (Schneider and Wallenburg 2013, Akin Ates, van Raaij et al. 2018), Hierarchies (Buckles and Ronchetto 1996), Activity centricty (Lidegaard, Boer et al. 2015)
Negotiation team		Adoption of VBP implicates a separation of strategic procurement and non-strategic procurement.	
Strategic Supplier Council		(D) The introduction of a firm-central procurement council can help drive the value proposition.	
Procurement Council			
Projects			
Divisions			Participants (Webster and Wind 1972, Johnston and Lewin 1996, Schneider and Wallenburg 2013), Involvement (Lakemond, van Echtelt et al. 2001), Responsibilities (Buckles and Ronchetto 1996), Incentives and Goals (Johnston and Lewin 1996, Akin Ates, van Raaij et al. 2018), Activity centricty (Lidegaard, Boer et al. 2015)
- Strategic Sourcing			
- Category Purchasing			
- Ordering & Expediting			
- Sales			
Procurement Account Manager	Roles	(E) Adoption of Value-Based Procurement implicates an increase in the prevalence of coordinating roles within the procurement organization.	
Key Account Manager (supplier's)		(E) Adoption of VBPS implicates increased involvement by people that hold managerial and strategic roles in procurement.	
Senior procurement managers		The cross-functional teams discussed under Groups consist of representatives from departments with different interests and knowledge.	
CPO			
Engineers of both sides			
Managers of both sides			
Executives of both sides			
Purchaser			
Project Manager			
Supply Chain Manager			
Category Account Manager			

Empiric concepts	Axial coding category	Implications from VBPS	Theory informing axial coding (if any)
Pyramid interface Engineer vs engineer Review groups TechSource groups RMA groups Informal contacts and <i>ad hoc</i> meetings Joint marketing vs customer	Relationships and Interfaces	(E) Adoption of VBPS implicates a higher prevalence of inter-organizational interfaces fostering creative activities. (E) VBPS implicates a higher prevalence of instances of interfaces, such as SAAB's pyramid level-matching interface, more frequently. (D) Adoption of VBPS implicates more frequent engagement in multi-party interfaces.	Cross-functional alignment processes (Johnston and Bonoma 1981, Bals, Laine et al. 2018), Interfaces (Schneider and Wallenburg 2013)
RMA Review meetings TechSource Procurement process	Formal processes	(E) Adoption of VBPS implicates a formalization of processes.	Organizing around tasks (Kotteaku, Laios et al. 1995, Bals and Turkulainen 2017), Contextualization (Simpson, Power et al. 2007, Dabhilkar, Bengtsson et al. 2016)

The Strategic Sourcing Council works as an anchor to the Procurement Task Forces. It allows SAAB to have unique strategies for all key suppliers while maintaining control on a central level. It also ensures that internal interests are represented in the development of such strategies. The council makes sure that Strategic Sourcing's interests and strategy are represented in the work of the Procurement Task Force, and the council can prevent task forces from straying from the strategic path. Although the Strategic Sourcing Council is an important organization for procurement because it allows for experience to be shared, it is not dependent on the adoption of Value-Based Procurement to be of value. The Strategic Supplier Council is a sort of control mechanism. It has little to do with Value-Based Procurement and more to do with strategic procurement in general, because its role is to anchor procurement in the strategic context. The council also provides a way of giving experience and knowledge to Procurement Task Forces. It provides mentorship and acts as a gatekeeper.

Strategic Sourcing is a separate division from the other procurement divisions of SAAB. This is reasonable, because Value-Based Procurement is not applicable for all procurement. Value may still be a useful perspective on procurement strategy, but the many activities and organizational aspects discussed in this context make little sense to accommodate for when buying off-the-shelf products available in abundance. The introduction of Strategic Sourcing provides a way of gathering all similar activity under one division and stimulates sharing and using experience between procurers. The aspect of having all people from the Strategic Sourcing division at the same geographic site has been maintained as a strength by SAAB because it simplifies collaboration and knowledge sharing between its members. It is, therefore, herein that **the adoption of Value-Based Procurement implicates a separation of strategic procurement and non-strategic procurement**. This is not an enabling factor for, but rather an effect of, Value-Based Procurement.

The Procurement Council is a group that centralizes procurement decisions (Giunipero and Monczka 1997, Trautmann, Bals et al. 2009, Trautmann, Turkulainen et al. 2009, Jia, Orzes et al. 2017), and, thus, it ensures that procurement is done in accordance with the corporate strategy. This is important for Value-Based Procurement from a value driving perspective because it helps with the gathering of purchasing volumes and the consideration of the needs of other divisions with which Strategic Sourcing may have no contact. In this sense, the firm-central procurement council plays a value-driving role for the value proposition as larger volumes and the accommodation of more needs are beneficial to both customer and supplier.

5.3.2 Roles

The most central role played in the strategic procurement work at SAAB is the PAM. The PAM's responsibilities concern supplier development, and it works as a coordinator of the interface between firms. A PAM tries to develop its partnership in terms of interdependency, development efforts, view of SAAB's potential as a customer, involvement in strategy work, and bringing cost down while securing future supply and compatibility. The PAM is also intended to act as a champion of its own supplier and fight internally at SAAB for volumes, attention and priority. The PAM spends time searching secondary sources for information on suppliers, and the role has been described as partly an investigatory role. Information plays a role in the value proposition, in which it is something that is offered to suppliers and something that is used to inflate and give credibility to business cases for suppliers. All of these activities are part of creating the value proposition that SAAB offers to its partner suppliers, but, whereas the PAM is responsible for the activities several other people from the SAAB organization are involved. The PAM is responsible for coordinating the tasks, interfaces, *ad hoc* meetings, and inter-departmental development. Thus, more than anything, the PAM has the crucial role of coordinating the complex interactions within SAAB and also those with the supplier. This coordination is crucial for how Value-Based Procurement develops and delivers the value proposition to the supplier. Therefore, this thesis proposes that **an adoption of Value-Based Procurement implicates an increase in the prevalence of coordinating roles within the procurement organization.**

The Chief Procurement Officer represents the Strategic Sourcing division in executive meetings and is formally responsible for contracts. Executives are also present from both SAAB and its suppliers in review meetings in which the importance of the relationship is reaffirmed and strategic issues are discussed. Managers from both firms meet on corresponding levels of the hierarchies. The function of these meetings is to ensure the strategic connection and to develop joint plans and strategies. Managers also play a role in ensuring that commitments are fulfilled.

The Value-Based Procurement Strategy of SAAB relies on inter-organizational cooperation that requires adequate managerial support from both parties, and its importance and participation in firm strategic issues suggests that other strategic functions must see it as a peer. In other words, the managers and executives play an important enabling role for Value-Based Procurement in that they provide the required mandates, strategic influence, and managerial support for the strategy to work as intended. Based on these observations, it is proposed that **an adoption of VBPS implicates increased involvement by people that hold managerial and strategic roles in procurement.**

It is also worth mentioning that the Procurement Task Forces (see the section *Groups*) contains three distinct roles. The project representative ensures that time limits are respected, that project budgets are kept, and that the purchase fits with the rest of the project. The engineer or specialist is a role responsible for providing knowledge of technology and needs in detail. This person understands the possibilities and limitations of proposed solutions and how the procured solution interacts with other modules. Finally, a representative from the procurement division strives for a reliable contract free of unforeseen effects and will drop off from the Procurement Task Force at later stages, with the ordering expedite joining instead.

5.3.3 Relationships and Interfaces

It has been asserted that the understanding of parties' unique needs and capabilities can be increased through communication and creativity. At SAAB, several such "forums" or interfaces are central to the development of attractive value propositions: engineers meeting with engineers to discuss technicalities, review meetings where plans and intelligence are focused on, TechSource and RMA where the development and selection of technology is discussed, and countless informal meetings concerning any kind of issue. SAAB has identified the latter to be critical for success. The constellations are *ad hoc* and can differ between the phases of projects, depending on what SAAB needs from its suppliers and *vice versa*. All these meetings contribute to the organizations learning about what is wanted and what can be done, and it is of the essence that the parties approach the meetings from a collaborative rather than a confrontative perspective. The expectations are set beforehand by the overarching partnership and the explicitness in how many of these processes should be executed (discussed below in *Formal processes*). In other words, these interfaces (Schneider and Wallenburg 2013) are essential enablers of how the value propositions gradually take shape in collaboration over time. Accordingly, this thesis proposes that **the adoption of a Value-Based Procurement Strategy implicates a higher prevalence of inter-organizational interfaces fostering joint problem-solving activities.**

A common trait for all interfaces is that people from similar roles and levels in the hierarchy are matched to make exchanges. This is made especially clear in the models drawn by SAAB (Figure 9 and Figure 10), where the PAM role is responsible for orchestrating interactions and meetings between people from corresponding levels of their respective hierarchies. Members of the review meetings depend on the type of review meeting that is held and are selected based on their role. For executive management review meetings, executives are naturally invited, whereas officers on lower levels are invited to management review meetings.

It was asserted earlier that value can be captured on many levels, from technical to commercial to strategic. The corresponding interfaces in which value is identified involve roles from an equal level of the “pyramid,” and the formality of these interfaces spans from formal at the top, where executives meet to develop the relationship, to informal and *ad hoc* at the bottom, where specialists look for technical solutions. Therefore, it is proposed that **the adoption of a Value-Based Procurement Strategy implicates a higher prevalence of instances of interfaces such as SAAB’s pyramid level-matching interface more frequently**. This is an enabling implication in the sense that it increases the productivity of value proposition development by having the right people do the right thing.

A final informal yet important interface is the joint interface Strategic Sourcing between its partner suppliers towards customers and other stakeholders, such as when marketing jointly and the sales department gets involved. These interfaces need to be synchronized between SAAB and the supplier, and this work also falls on the PAM’s table. From a value perspective, the parties go outside their dyad to solve the needs of other actors and stakeholders (Kowalkowski, Kindström et al. 2016), which can also be viewed from a supply chain perspective where the competitiveness of the whole supply chain increases through the supplier providing what is required by SAAB to make the end customer satisfied. These possibilities may be overlooked if value is not focused on in the procurement strategy. Therefore, this thesis proposes that **the adoption of a Value-Based Procurement Strategy implicates more frequent engagement in multi-party interfaces**. This is a driver of value in the sense that involving more parties and their needs and capabilities relaxes the value exchange calculations and enables more value to be identified and captured.

5.3.4 Formal processes

A fourth category was introduced to fully describe the important factors in the procurement organization at SAAB: Formal processes. SAAB describes how they work with activities foremost and then organize around these activities, or tasks (Kotteaku, Laios et al. 1995, Bals and Turkulainen 2017). The organization is shaped around the activities of the procurement function. These activities change depending on what phase the procurement is currently in. TechSource and RMA involve discussions between supplier and SAAB, which involve the PAM, KAM, engineers and experts. When the procurement process starts, Procurement Task Forces get involved, and at the end of this process, the contract is handed over to other procurement divisions that run the ordering and expediting. Thus, SAAB’s procurement organization has been structured around process tools that are central to what procurement does. These tools were developed to gain control over budgets and costs and to facilitate the search for solutions to technical problems. Having company spanning process tools also allows for large-scale synergies

in terms of economies of scale and in terms of a company-wide understanding and knowledge of these processes. Additionally, SAAB must ensure that regulations, laws, and norms all be accommodated for, which it does partly by adhering to its processes.

These observations indicate that the formalization of processes works as a tool for unifying and institutionalizing value identification and value capturing activities. Value-Based Procurement Strategy is, as the term suggests, a strategy, and must be operationalized in some way. SAAB has done this through activities of which several are arranged and specified in formal processes. Thus, it is proposed that **the adoption of a Value-Based Procurement Strategy implicates a formalization of processes**. This enables the strategy to be operationalized.

Analysis implications for the theoretical model

The Procurement organization part of the theoretical framework was kept, but a fourth category was added: Formal processes. This phenomenon did not fit within the theoretical framework and had to be added as the coding process suggested that it was an important aspect of the organization in Value-Based Procurement. The theoretical framework provided some support for exploring this phenomenon from other categories such as organizing around tasks (Kotteaku, Laios et al. 1995, Bals and Turkulainen 2017) and contextualization (Simpson, Power et al. 2007, Dabhilkar, Bengtsson et al. 2016). The resulting restructuring of the theoretical model is depicted in Figure 18.

Figure 18: Restructuring of theoretical model for the procurement organization

5.4 THE ROLE OF SUPPLIER VALUE PROPOSITIONS

5.4.1 SAAB's supplier value propositions

The frame of reference for value propositions and related concepts maps well to the characteristics of SAAB's work on supplier value propositions. Strategic Sourcing designs its supplier value propositions to get suppliers attracted to doing business with SAAB (Baxter 2012, Hüttinger, Schiele et al. 2012, Mortensen 2012, Pulles, Schiele et al. 2016, Reichenbachs, Schiele et al. 2017) and to give preferential treatment to SAAB (Ulaga and Eggert (2006). To achieve this, SAAB takes a proactive stance toward meeting its supply objectives (Plank and Francis 2001), invests in its supplier partnerships, and engages in joint problem solving (Dwyer 1989). Collaboration internally and externally (Blenkhorn and Banting 1991, Plank and Francis 2001) and proactivity, planning, research, joint strategy and goals (Dwyer 1989, Plank and Francis 2001) are the main foci of SAAB's procurement activities for co-marketing, knowledge transfer, RMA, and review meetings of different kinds. These activities are carried out over time (Macdonald, Kleinaltenkamp et al. 2016) during which the parties discuss and revise each other's value propositions (Ballantyne, Frow et al. (2011).

SAAB and its partner suppliers also display dedication and commitment (Dwyer 1989, Kohli and Jaworski 1990) in multiple ways: the allocation of PAM and KAM roles, commitment to technology and investments specific to future business with the other party, exchange of IPRs, and gaining acceptance and backing from management.

The value propositions that SAAB makes to its partner suppliers are based on a thorough understanding (Ferrell, Gonzalez-Padron et al. 2010) of the parties' unique objectives, needs (Ramsay and Wagner 2009, Smals and Smits 2012), and capabilities. The value propositions are only partly quantified (Hinterhuber 2017). Furthermore, the value propositions are highly dependent on the context, including other actors on the markets of both SAAB and its suppliers (Hunter, Bunn et al. 2006, Trautmann, Turkulainen et al. 2009, Bals, Laine et al. 2018). In conclusion, value proposition work is not much different from the work described marketing literature. It is the same phenomenon, but it is driven from the customer side. Thus, the focus on value seems to be a viable option for both customer (procurement) and supplier (marketing).

5.4.2 How the value propositions are special in VBPS

SAAB uses value propositions as a tool for shaping its activities and organization. Letting value influence the procurement management decisions puts value at the forefront of procurement strategy. By letting value play a central role in communication, decision making, and strategy design, SAAB is effectively adopting a Value-Based Procurement Strategy. In this

way, value propositions may in Value-Based Procurement function as a tool that lets the firm think in terms of reciprocal value propositions. It is a tool around which activities and organization can (1) be shaped by management, and (2) focus their work. As an example, SAAB introduced the RMA meeting with the intention of refining the parties' understanding of the correct technology to aim for in future projects. During the RMA meetings, the value was focused on, as the parties discussed the benefits and sacrifices of possible solutions. The focus is always on reciprocal value propositions and the achievement of value for both parties.

It can also be noted that the activities and organization themselves may drive the attractiveness of value propositions to a notable extent. Summarizing the drivers discussed above, the following is proposed:

- Knowledge sharing can be a part of the value proposition.
- The idea of standardizing to share cost is applicable to the value proposition.
- Costs are one of many possible parameters that can be controlled to capture value in Value-Based Procurement.
- The introduction of a firm-central procurement council can help drive the value proposition (through gathering procurement volumes across the whole firm).
- Adoption of VBPS implicates more frequent engagement in multi-party interfaces because by considering the needs of other parties, more value can be identified.

In summary, the value propositions play an important role in Value-Based Procurement; they may play a central role in managerial decision making and operational work, and the value propositions are partly composed of traits from the activities and organization. This suggests that management of a procurement division adopting Value-Based Procurement Strategy will have to carefully consider the reciprocal value propositions as a factor in their work.

5.4.3 The incumbent for SAAB and its partner suppliers

This thesis does not aim to measure or quantify value in any way, but a reflection on the relativity of value may still be interesting. A discussion on value and value propositions requires spending some time on discussing what the incumbent is (Ulaga and Chacour 2001, Ulaga and Eggert 2005, Breidert, Hahsler et al. 2006, Oliva 2012). For the sake of this analysis, a comparison is made between what SAAB offered to its suppliers before the strategic change that introduced the partnership model, and what is offered to partner suppliers now. Thus, the previous procurement situation has been selected as the incumbent. It is to be viewed as a theoretical incumbent for the decision to enter a partnership equal to those that are in place with SAAB's partner suppliers currently. In other words, the incumbent for suppliers equals the situation

where a supplier was not yet a partner. For suppliers, this incumbent has much in common with the circumstances of doing business with other customers that act in a traditional way. For SAAB, the incumbent is the situation they would have with these suppliers if the partnerships ended for some reason.

The incumbent situation is characterized by SAAB taking a traditional purchasing role and the supplier focusing on delivering on the contracted requirements. In such a situation, SAAB pays and finances all products and modifications that are not standard offerings. Purchasing is concerned with the interaction with the supplier only and pays little attention to other departments or stakeholders. The supplier is involved mainly with the purchasing department and gets its requirements in ready-made documents provided by engineers.

The supplier's role is to sell, or in other words to identify opportunities to provide to the stated needs of the customer. The supplier is mainly concerned with understanding its own needs, which are usually almost entirely made up of a large revenue stream, to make a profit. Purchasing's role is to look for alternatives to be able to pressure prices through playing suppliers against each other, and to act as a central filter for communication between the supplier and the own organization. SAAB's current value propositions should be compared to the above characteristics.

5.4.4 A note on value identification, appropriation, and realization

It is also worth to take note of how value actually emerges in the empirical material of this thesis (for a critique on the arbitrariness in literature of how value can be created and captured; see Ramsay 2005).

Value identification within the context of supplier partnerships occurs in different forums depending on the type of needs that are fulfilled to capture the value. RMA meetings deal with needs related to technology solutions and COTS; for business solutions the review meetings and contacts between the PAM and KAM provide the corresponding platforms. Common to both types is the activity of need analysis – formal and informal. The COTS-related discussions drive value identification through questions regarding what standard products can be used as points of departure for development and how the end solution can be shaped to result in a new COTS product. Value identification also comes, to a large extent, from procurement management through which SAAB realizes that suppliers value parameters that SAAB can offer but is not offering yet. Examples of such parameters are SAAB's offering of a technology launch platform, and its knowledge of cost efficiency that could rub off on the supplier's organization.

Looking at the exchanges between SAAB and its partner suppliers, the only parameters that are truly exchanged are solutions and payments. Remaining parameters are mutual investments and commitments made on each side, which often depend on the good intentions of each party to fulfill what was promised. Noteworthy here is that concessions are largely made according to trades of parameters that come “natural.” For instance, when Beta agrees to participate in SAAB’s sales efforts, neither of the parties are compensated by some other parameter such as a payment. Beta invests its time, and so does SAAB. Rewards are based on expected increased sales.

When a mutual decision and agreement is reached, the appropriation of value is balanced through formalized payments and conditions in contracts. However, most parameters are not in there but are expected by the parties (e.g. spending time on RMA, appointing a KAM, accommodating for knowledge to be shared with the supplier). The parties are mostly unsure of the magnitude or variability of the actual value realized from these qualitative effects.

The realization of value is a continuous process for most parameters. Knowledge is transferred over time and so are investments in review meetings and RMA. The realization of value is also hard to foresee. The solutions provided by suppliers are included in SAAB’s market offerings and then sold for profit, but value from other parameters is realized throughout the process and at disconnected events, for example, when Beta sells more because it is associated with SAAB’s brand, or when SAAB doesn’t have to invest upfront because the supplier invests in and aims for COTS.

6 CONCLUSIONS

The purpose of this thesis was to explore the adoption of a Value-Based Procurement Strategy. Procurement was studied in terms of procurement context, procurement activities, and procurement organization, and how value propositions constitute the result of procurement efforts and a concept around which procurement strategies can be shaped.

6.1 CONTEXT IN VALUE-BASED PROCUREMENT

A division between the surrounding context and the specific context was made in the analysis. The two contexts were largely mutually exclusive and provided different influences on the workings of Value-Based Procurement. The surrounding context is a slow-moving world in which the firm and its suppliers, competitors, and customers live. The surrounding context is what can be assumed to be true and to be built on. The specific context, in contrast, varies between different procurement situations and supplier relationships, and it changes faster than any strategy can. Strategies must, thus, facilitate for variability. This is a critical factor in explaining why Value-Based Procurement Strategy may be suitable only for the part of the procurement organization that deals with strategic suppliers and critical and complex products. As procurement must be able to handle all sorts of procurement situations, a division of the organization to introduce a department such as Strategic Sourcing at SAAB may be preferential.

Based on the results from the analysis, several conclusions were made about the contextual factors, which to a large extent work as *encouraging factors* for why a firm should adopt a Value-Based Procurement Strategy (see Figure 19). First, the surrounding context and firm strategy play important roles. When the surrounding context and firm strategy do not allow procurement to make demands and pay for what it receives from suppliers, a strategic change must be made, and this change can be to adopt a Value-Based Procurement Strategy. This adoption transforms procurement into a function aiming at identifying and capturing alternative sources of value. In this way, procurement can aid in the survival and success of the firm through adopting and aligning to the context in which the firm acts.

Figure 19: Implications of the adoption of Value-Based Procurement

Second, uniqueness is important for how the value proposition can be constructed. In line with resource advantage theory (Hunt and Morgan 1996, Hunt and Davis 2012) and resource dependence theory (Pfeffer and Salancik 2003, Drees and Heugens 2013), Value-Based Procurement builds on identifying ways in which the own firm can provide benefits to suppliers that cannot be easily achieved elsewhere. In markets where suppliers have an abundance of identical customers to choose from, any of those customers will have difficulties in successfully adopting Value-Based Procurement Strategy because little or no value can be proposed to the supplier.

Third, whereas an infinite number of procurement strategies theoretically exist, Value-Based Procurement Strategy is more viable when the context is characterized by high business volatility and business complexity, and high technological complexity. It also performs well when needs vary between different procurement processes, because the pre-existing mutual understanding that comes from the continuous relationship and dialogue between the parties improves the starting position for each procurement process. In these settings, much of the potential value may be lost if it is not identified by either of the parties. The focus on collaboratively identifying and exchanging parameters to capture value that is the essence of Value-Based Procurement will contribute to its superiority over other procurement strategies in these contexts.

Finally, a Value-Based Procurement Strategy may be more appropriate when the product criticality is high (Masi, Micheli et al. 2013) and when the procuring firm is in a weak position (Cousins, Lawson et al. 2008, Lawson, Cousins et al. 2009, Castaldi, ten Kate et al. 2011) with few, if any, alternatives available (Iyer 1996, Hunter, Bunn et al. 2006). In such circumstances, suppliers must be persuaded with arguments other than the traditional ones such as large order volumes or wide margins. The possibility to propose alternative value may help with moving from being dependent on the supplier to being interdependent (Cox 2001). A significant part of this value comes from the relationship rather than the exchange made within the scope of a procurement process (Ravald and Grönroos 1996).

Additionally, some contextual factors may work as *drivers* in Value-Based Procurement. Market attributes, such as the geographical distribution of market actors, inherent attributes of the products of the market, or similar, may strengthen or weaken certain value propositions. For example, the quick tech cycles at SAAB would be worth nothing to suppliers if the suppliers' markets were characterized by quick tech cycles as the norm.

6.2 ACTIVITIES IN VALUE-BASED PROCUREMENT

Twelve propositions were made regarding the implications of Value-Based Procurement for procurement activities:

- Adoption of VBP implicates that procurement engages in establishing itself as a respected function with influence and responsibility.
- Adoption of VBPS implicates a focus from procurement management on understanding supplier markets in terms of needs and capabilities.
- Adoption of VBPS implicates high engagement in knowledge management activities.
- Knowledge sharing can be a part of the value proposition.
- Adoption of VBPS implicates engagement in activities to cooperatively, efficiently, and effectively find appropriate technical solutions.
- The idea of standardizing to share cost is applicable to the value proposition.
- Adoption of VBPS implicates high engagement in partnership value identifying and enhancing activities.
- Costs are one of many possible parameters that can be controlled to capture value in VBP.
- Adoption of VBPS implicates high engagement in interaction-coordinating activities.
- Adoption of VBPS implicates that management of supplier relationships will aim to enhance the supplier's perceived value of doing business with the company.
- Adaption of VBPS implicates a procurement process with a focus on the latter stages of what is traditionally viewed as the procurement process.
- Adoption of VBPS implicates the existence of mediation-oriented activities aimed at turning mutual understanding of needs and capabilities into mutually valuable agreements.

Most of the proposed implications regard *enablers*, or activities that are important to make the Value-Based Procurement possible. The importance of activities was an initial hypothesis of this thesis, and the results show that activities, together with the organization, describe well the implementation of Value-Based Procurement.

One activity-related *effect* of Value-Based Procurement may be that focus shifts toward the latter stages of the procurement process. This may not be a precondition to implement Value-Based

Procurement, but it could be a normal effect of having relationships that foster creative work that takes place before there is a product to be procured.

Some activities are also attractive to the supplier and are thus *drivers* that can be included in a supplier value proposition. One way to identify and capture additional value is to find out what activities suppliers value and then communicate this to the suppliers to obtain something in return.

6.3 ORGANIZATION IN VALUE-BASED PROCUREMENT

The implications of Value-Based Procurement for the procurement organization resulted in nine propositions:

- Adoption of VBPS implicates including cross-functional teams in the procurement organization.
- Adoption of VBP implicates a separation of strategic procurement and non-strategic procurement.
- The introduction of a firm-central procurement council can help drive the value proposition.
- Adoption of Value-Based Procurement implicates an increase in the prevalence of coordinating roles within the procurement organization.
- Adoption of VBPS implicates increased involvement of people who have managerial and strategic roles in procurement.
- Adoption of VBPS implicates a higher prevalence of inter-organizational interfaces that foster creative activities.
- VBPS implicates a higher prevalence of instances of interfaces, such as SAAB's pyramid level-matching interface, more frequently.
- Adoption of VBPS implicates more frequent engagement in multi-party interfaces.
- Adoption of VBPS implicates a formalization of processes.

As with the activities, many of the propositions regarding the organization refer to *enablers* or ways of organizing that make possible a successful adoption of Value-Based Procurement. In general, the prevalence of propositions regarding cross-functionality and inter-firm interaction reflects the essence of Value-Based Procurement Strategy to collaborate widely around identifying and capturing value.

As in the context section above (6.1), Value-Based Procurement Strategy adoptions may see the *effect* of a division of strategic and non-strategic procurement. A deliberate choice made by management, such a division does not have to be made for Value-Based Procurement to be possible, but it is a likely decision to be made. A *driver* was also identified in the form of the introduction of a firm-central procurement council. The council may instead be some other type of organization; the important aspect is not the organizational form but the actual organizing to meet and increase order volumes. This is a parameter that is valuable to most suppliers. Value-Based Procurement Strategy demands a certain level of engagement by the supplier in the relationship and joint activities, and many suppliers may not allocate the required resources for such activities if there is not some substance to their sales volumes to the customer.

6.4 FURTHER DISCUSSION OF ACTIVITIES AND ORGANIZATION

The interplay between activities and organization is central to the adoption and implementation of a Value-Based Procurement Strategy, and, thus, further discussion of these two together follows below. The propositions of this thesis are grouped together thematically instead of by division between activities organization.

Many propositions treated implications for identifying and capturing value, which is the essence of Value-Based Procurement Strategy. It was suggested that with this strategy, management can focus on understanding the supplier markets in terms of needs and capabilities. Activities related to knowledge management, finding appropriate technical solutions, identifying and enhancing partnership value, and interaction coordination become central to procurement work. It was also suggested that such creative activities are facilitated with inter-organizational interfaces, and that cross-functional teams are organized within procurement.

Procurement activities seem to become increasingly focused on problem solving and communication and the joint effort to develop reciprocal value propositions when adopting a Value-Based Procurement Strategy. This observation resonates with those of Skålén, Gummerus et al. (2015) who maintain that inter-organizational learning occurs during negotiations and value proposition crafting, and the ideas of Maglio and Spohrer (2008), who found that value proposition crafting builds shared competence. Accordingly, it is concluded that identifying and capturing value occurs, to a large extent, during joint value proposition crafting. It seems plausible that the level of cooperation between customer and supplier in a wide range of activities will increase for firms that adopt Value-Based Procurement.

Another genre of propositions made are the ones regarding procurement becoming increasingly strategic and influential. The implications from the analysis suggest that the adoption of Value-Based Procurement will encourage the procurement function in establishing itself as a respected and influential function with responsibility. The implications also suggest that strategic procurement will be separated from non-strategic procurement, that managers and strategic roles will become involved in procurement, and that interfaces will be structured in such a way that the encounters hosted within them will be productive in terms of identifying and capturing value. In other words, procurement must become strategic, not only in the sense of working with strategy but also regarded as strategic by other divisions and functions. Procurement must be given the opportunity to stand on its own in terms of responsibility and influence and must keep earning its place by delivering on the internal value proposition.

Several of the proposed implications regard the structuring of procurement through organization and formalization. The adoption of Value-Based Procurement was suggested to bring a formalization of processes to enhance the consistency of the value proposition development work, a focus on the latter stages of the traditional procurement process, mediation-oriented activities that aim to balance both internal and external needs to reach valuable agreements, and an increase in coordinating roles within the procurement organization to manage the complex connections between and within the firms. In terms of structuring procurement, activities seem to be created and shaped based on what is needed for the execution of the Value-Based Procurement Strategy, rather than as needed by the procurement organization. Thus, procurement activities come before the procurement organization in the logic chain of procurement management within the context of a Value-Based Procurement Strategy. An example of this from SAAB is the PAM role which is a response to the need to coordinate all interfaces with a partner supplier. However, the PAM will naturally have a say and influence on how the activities in which this role is involved will be reshaped as needs change.

Last, some of the proposed implications of adopting Value-Based Procurement Strategy suggest that the activities and organization of procurement can also be included in and drive the attractiveness of value propositions. It was proposed that knowledge sharing, standardization to share and manage cost, volume gathering by a firm-central procurement council, and engagement in multi-party interfaces to consider the needs and capabilities of many, are possible parameters to include in the supplier argumentation to enhance the supplier's perceived value. Both the procurement activities and the procurement organization become not just a means to an end for the value propositions, but they also constitute parameters offered within the value propositions. The role of the PAM at SAAB is not only a way for the procurement organization

to manage the interface and collaboration with a partner supplier, but the benefits of being a PAM are also marketed to the supplier as some of the benefits of entering into a partnership with SAAB.

The flow of the adoption of a Value-Based Procurement Strategy can be drawn schematically as in Figure 20. The outer context and the market actors influence how the firm strategy is formed (Porter 1979). The combination of the three form the surrounding context that forces or drives and affects the formation and contents of Value-Based Procurement Strategy. This strategy is implemented through partly formalized activities around which an organization is shaped to facilitate those activities. The activities and organization are partly included as parameters in the supplier value proposition. Depending on the specific context of procurement, the inner context, which includes factors such as complexity, and the supplier affect the activities performed. The Value-Based Procurement Strategy, along with its implementation in the form of activities and organization, constitute Value-Based Procurement. The result of this apparatus is a procurement function that is well suited to develop attractive reciprocal value propositions.

Figure 20: A flow illustration of the adoption of Value-Based Procurement Strategy

6.5 VALUE PROPOSITIONS IN VALUE-BASED PROCUREMENT

Value propositions are, in Value-Based Procurement, a tool for managing procurement (organizing for value to be identified and captured) and for procurers executing the strategy (focusing on the specific value proposition for the incumbent supplier and their own firm). The complexity of value propositions is generally large, with multiple parameters and multiple

stakeholders' interests to consider when making tradeoffs. Similar to marketing literature (Frow and Payne 2011, Payne, Frow et al. 2017, Eggert, Ulaga et al. 2018), the reciprocity of value propositions is essential to supplier value propositions because each side is interested in a vast number of parameters. The availability of parameters and differences in how parties view the importance of these increases the potential to achieve value if the parameters and needs are understood and capitalized on (Northcraft, Brodt et al. 1995, Moran and Ritov 2002).

In Value-Based Procurement, value propositions are gradually developed through an increasing understanding of both parties' needs and capabilities. This understanding is preserved between procurement processes as it resides within the continuous relationship between the parties. The value propositions are informal promises of value that parties expect to be fulfilled based on trust. In other words, relentless delivery on the agreements that have been made, i.e. mutually accepted value propositions, is key to making a Value-Based Procurement Strategy sustainable.

Many of the parameters of supplier value propositions adhere to the relationship rather than the contract. Suppliers no longer must strike business deals with customers to capture some of the value. It has been argued elsewhere that value propositions occur over time and are not limited to immediate exchange (Eggert, Ulaga et al. 2018). The adoption of a Value-Based Procurement Strategy seems to increase the importance and quantity of abstract parameters. To work effectively with these abstract parameters over time, activities must be shaped around value identification and realization for the own organization as well as that of the supplier.

Effort must also be made to credibly argue for the increasingly abstract and hard-to-quantify parameters of the value propositions (Hinterhuber 2017). Reformulating Hinterhuber's logic, in the future, it may happen that suppliers increasingly demand that customers clearly quantify their supplier value propositions, and that firms that succeed at doing so will be more successful in attracting and keeping the suppliers they want.

6.6 THE MAIN CONTRIBUTIONS OF THIS THESIS

This thesis recounts an in-depth study of the adoption of a Value-Based Procurement Strategy and a customer taking an active and leading role in developing value propositions for suppliers and itself. It provides valuable insight into a rare phenomenon that has been little studied before. The case is from a military equipment manufacturing market. Actors in these markets normally provide strictly limited access to inside information, and there is a limited amount of research available that deals with commercial questions within this market. The case studied here provides

a rich illustration of the challenges and efforts of strategic procurement at SAAB, which is a contribution that may inform researchers' work elsewhere.

Eggert, Ulaga et al. (2018) have recently argued that discussions of value and value propositions have largely proceeded independently despite their conceptual link. This thesis creates a conceptual link between procurement, Value-Based Procurement Strategy, and value propositions, although it does not incorporate a discussion of magnitudes or the importance of individual benefits and sacrifices (Anderson and Narus 1999, Anderson, Narus et al. 2006, Oliva 2012). By doing so, it illuminates how procurement can focus on value as a strategic choice around which procurement can be organized and activated.

This thesis introduces the concept of supplier value propositions to examine the crucial marketing that increasingly is done upstream in the supply chain. This thesis also discusses value to the own firm in parallel to value to suppliers. By doing so, this thesis hopes to promote a new episode in the history of literature on value in which the customer and the supplier are both seen as active participants in the co-definition of value propositions and contents. A contribution is made by deepening the understanding of customer (and supplier) value (Eggert, Ulaga et al. 2018). This thesis also hopes to aid procurement literature and supply chain management literature to catch up with and become a worthy sister literature to marketing literature by showing that the buying side has value propositions to make and value to identify, share, and capture.

Almost 25 years ago, Hunt (1994) expressed the need for a "theory of co-operation among firms." Value-Based Procurement explains why procuring firms cooperate with suppliers. Whereas some theories, such as resource-advantage theory (Hunt and Morgan 1995), resource dependence theory (Pfeffer and Salancik 2003) and resource based view (Barney 1991), explain why firms collaborate to gain access to resources otherwise not attainable, a discussion based on the value concept will improve the explanation by looking at the expected consequences of attaining those resources. It is the effect that is valuable, not the resource in itself (Ramsay 2005). A contribution is made by this thesis by taking a first step towards developing a value-based theory of firm interactions (Slater 1997).

6.7 IMPLICATIONS FOR FUTURE STUDIES

Despite that the case studied in this thesis was a rare opportunity to study Value-Based Procurement, the ideas and propositions that are presented must be tested in a broader empirical context such as a multiple-case study (Yin 2017). Such a study could confirm or dismiss the propositions presented in this thesis and add detail and nuances to the phenomena described.

The questions asked of respondents in this study do not regard the relative importance of parameters within value propositions because this was not within the scope of the explorative purpose of this thesis. To estimate or quantify value (c.f. Hinterhuber 2017), other questions must be asked and other possible research methods, such as surveys or experiments, should be used. If using interviews, representatives from both a supplier and a customer should be interviewed to capture the differences in perceptions of alternatives, benefits, sacrifices, and prioritization of parameters and the expected effects thereof. The suppliers may also have different perceptions of how value propositions are developed, and who is taking a leading role in defining the cooperation between supplier and customer.

Quantitative studies on the firm level that compare firms that adopt Value-Based Procurement with those that do not will be able to discern Value-Based Procurement's effects on performance as well as mediating and moderating factors on those effects. However, acquiring the requisite data for such a study may be difficult, particularly as Value-Based Procurement is a rare phenomenon.

6.8 MANAGERIAL IMPLICATIONS

This thesis contributes to the work of managers by illustrating how a Value-Based Procurement Strategy can be adopted, and possible reasons for why this could be a successful strategy. Managers are urged to design the company strategy and the procurement and sales strategy around the idea that superior value realization is what makes supply chains competitive. In competitive markets, sustainable outperformance of competing supply chains in terms of value achievement is a stepping stone to gaining market shares.

In line with the findings of this thesis, three "value actions" are proposed as possible efforts to be undertaken to improve an adopted Value-Based Procurement Strategy:

- Adapt the activities and the organization according to the external context. To ensure that the efforts in procurement lead to attractive value propositions, the activities and the organization must be arranged to deliver what stakeholders need.
- Establish relationships to continuously improve the mutual understanding of needs and capabilities of all parties. Genuinely collaborative inter-firm communication is key to identifying creative solutions to needs. Facilitate this type of communication in appropriate forums.
- Find a way to coordinate and incorporate the sporadic inter-firm contacts between employees such as engineers and project leaders. Consider allocating a coordinating role, such as a joint steering committee (Terho, Haas et al. 2012), to achieve this goal.

- Challenge and be creative around possible parameters to include in the value proposition. Consider things that your supplier may value but that are not currently focused on in communication.
- Formalize activities by specifying the steps or organizing around them. Consistency can be improved by formalizing the activities that aim to identify and capture value.
- Promote procurement internally as well as externally as being a highly regarded, strategically influential, sufficiently autonomous function. Procurement should be bestowed with both sufficient mandates to perform, but also expectations to perform. Procurement must take a wide perspective to capture all parameters that can be controlled to capture value.

6.9 CONCLUDING REMARKS

SAAB does not term its work as Value-Based Procurement, but the analysis illustrates that a value-based view can be useful in explaining how SAAB acts to engage its suppliers in partnerships and how this engagement shapes value proposition development. Drawing on the analysis, the nature of Value-Based Procurement Strategy can be described according to the following list:

- Value-Based Procurement Strategy involves managerial decision making grounded in the logic that procurement must achieve value for both suppliers and the own firm. Value-Based Procurement Strategy is the procurement function that focuses on proposing high value for both its supplier and the company, i.e. reciprocal value. The procurement function must also achieve the proposed value for the strategy to be sustainable. It is the understanding that business relationships are not only a competition for margins but an opportunity to trade parameters valued differently by the parties (Ramsay and Wagner 2009, Smals and Smits 2012). This understanding must permeate the company culture, organization, and activities engaged in. Incentives and commendations must reflect this virtue, and knowledge thereof must be spread. The market changes continuously (Slater and Narver 1994) and so must solutions to needs. Looking into the competence profile of suppliers is more important than looking at products when needs change rapidly (Golfetto and Gibbert 2006).
- Value-Based Procurement Strategy is a move toward capitalizing on who we are and who we deal with, to excel at what we do in the long run. It can be thought of as taking a niche or gaining an advantage out of the resources we have access to (Barney 1991,

Hunt and Morgan 1996, Ramsay 2001, Hunt and Davis 2008). Importantly, Value-Based Procurement Strategy is not a marketing perspective but a procurement perspective on resource advantage, and it requires that suppliers participate actively. This perspective's objective can be thought of as securing a sustainable, competitive, reliable supply chain (Foerstl, Azadegan et al. 2015, Halldórsson, Hsuan et al. 2015, Handfield, Cousins et al. 2015).

- Value-Based Procurement Strategy relies on collaboration with the supplier to co-create reciprocal value propositions (Ballantyne, Frow et al. 2011, Frow and Payne 2011, Skålén, Gummerus et al. 2015) because the value depends on a continuous understanding for each other's needs. Strategy formation is synchronized with suppliers and other possible stakeholders to standardize the direction in which actors of the supply chain steer. Suppliers are urged to become engaged and take an active role in common problem solving, and to be transparent enough for needs to be uncovered. This demands inter-organizational trust (Gorton, Angell et al. 2015, Akrouit and Diallo 2017).

At SAAB, Value-Based Procurement was born out of a firm-wide strategic shift that was a response to a change in the external context. As a reply to a discussion on whether the firm organization must be mature enough to accommodate for a Value-Based Procurement Strategy (Chick and Handfield 2014), this study would suggest that Value-Based Procurement can be successfully implemented when contextual factors allow it, and that these contextual factors will play a role in maturing the firm organization in this sense.

It is the view of Skålén, Gummerus et al. (2015) that value propositions stabilize over time, and that value transitions from being promised to being realized gradually. Stabilization rests on communication and exchanges between the parties. Considering this argument, supplier partnerships are a vessel in which firms may travel toward effective Value-Based Procurement determined as stable value propositions. The stability and longevity of partnerships constitute important aspects of successful Value-Based Procurement for all firms.

Being among the first adopters of a Value-Based Procurement Strategy in a market constitutes what could be termed a resource-based marketing advantage (Hunt and Morgan 1996, Ramsay 2001). This was also indicated by (Payne, Frow et al. 2017) who argue that value propositions can be instrumental to the implementation of marketing strategies. They also maintain that market-related decisions and resource allocation are activities that can be informed by robust work with (customer) value propositions. Supplier value propositions may be equally informational.

SAAB's focus on COTS products, i.e. departing from and arriving at products that are developed to be marketable on a general market, is an instance of a more general phenomenon: that of avoiding the reinvention of already existing technology. This logic could apply equally to processes and organizations. The imperative to spread development costs among as many actors as possible to reduce the cost each beneficiary of a solution must bear, is a promising idea that could permeate the philosophy of Value-Based Procurement. This would further the reliance on multi-party interfaces discussed in the section on organization above (6.3).

Purchasing can be strategic without being based on value. Some suppliers of less prioritized products may be given little attention or opportunity to speak. This is not to say that there is no purchasing strategy to handle these suppliers; the sound choice may be to minimize transaction costs. In contrast, a Value-Based Purchasing Strategy is applicable to complex purchasing characterized by a large scale and/or scope, criticality of supply, and a need to work closely over time to ensure compliance with needs. In this sense, Value-Based Procurement involves make-or-buy-related decisions because managers must decide which suppliers are worth the resources and effort needed to establish a mutual understanding of each other's organizations.

Value-Based Procurement Strategy is a method for procurement to contribute value to the own organization by focusing on how key suppliers can also gain. It is a genuinely collaborative approach to procurement that ought to make the idea easy to discuss with and attractive to existing and potential suppliers. The argument that "we execute on a Value-Based Procurement Strategy" should perhaps be included in supplier value propositions. Value-Based Procurement consists of activities and a supporting organization that aim to refine supplier value propositions, including the execution of them.

The supplier is, to a certain extent, invited to design the business case for itself through having a say in what parameters and levels thereof it values, and what it believes to be credible future outcomes for uncertain parameters. Value-based purchasing is proactive; it does not let the supplier be the first party to define what is valuable to us, but instead lets it define what is valuable to itself. This methodology rests on deep knowledge of both parties' needs and capabilities, and such knowledge is gained through methods such as RMA and review meetings. A Value-Based Procurement Strategy creates conditions for both parties to become skilled at their respective part, which is an imperative as supply chains are increasingly competing against one another (Poluha 2016).

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10 LIST OF ABBREVIATIONS

COTS	Commercial off the shelf	Products that are developed to be sold as-is to any customer that wants to buy them
FMV	Försvarets Materialverk	The Swedish Defense Materiel Administration, a Swedish government agency responsible for sourcing defense materiel
IPR	Intellectual Property Rights	Legal ownership of ideas, patents, inventions, designs, and similar
KAM	Key Account Manager	A person whose job is to manage all interactions with a certain important customer
PAM	Procurement Account Manager	A person whose job is to manage all interactions with a certain important supplier
SCM	Supply Chain Management	Management of networks of actors that through their actions and interactions produce something of value to an end consumer
VBP	Value-Based Procurement	The implementation and execution of a Value-Based Procurement Strategy, as performed by the procurement function
VBPS	Value-Based Procurement Strategy	A procurement strategy that is formed around the aim to identify and capture value for both the own organization and the supplier, and possibly for other actors as well