

Strategic Resources in the Business Network
-Reshaping Strategic Thinking in the Paper Supply Chain -

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Introduction

Changes in the business environment (Dimitratos et.al. 2003, Hogg 2003) during the 1990s have presented a number of challenges of doing business. Globalization of markets and converging market needs have put pressure to cut costs and improve product quality. Improvements in transportation and communication together with the electronic revolution have brought down several industry barriers and made it possible for entrepreneurial activities in different industries. At the same time there has been a wave of acquisitions and mergers which also have affected the traditional supply chains in many industries. These driving forces have also had an impact on business in the pulp and paper industry.

One of the important driving forces (Rundh 2003) within the pulp and paper industry has been investments in production technology. However, as a result of greater international competition changes are occurring more rapidly and companies are forced to react to the current competitive situation either change is taking place in the supplier or customer side. Many factors are also influencing management expectations about the effects on their business goals. These expectations reflect the decision-makers present knowledge as well as the perception of future events.

Paper companies have traditionally chosen their suppliers to a great extent on competitive pricing and service to the local market. While pricing and service remain important, the relationships between paper companies and suppliers have changed. Similar to the competition in other industries e.g. the situation in the automobile industry during the late 1980s and the early 1990s, today's business climate in the paper industry brings pressure (Kotabe & Murray 2003) for improved profitability, cost reductions and efficiency improvements.

At the same time paper companies have integrated forward by mergers and acquisitions in order to build up a market position on different markets and product areas in relation to the local market structure. Due to structural changes and concentration within different industry's the paper companies have also come under the pressure from big buyers, especially from customers selling consumer products e.g. the food industry.

The research issue in this paper can therefore be emphasised by – *How can a paper company use its strategic resources for supporting its competitive situation?* The intention is to use a qualitative study by interviewing management in a specified number of companies. The data collection will also be completed by secondary data from the same companies.

Due to the increased globalisation there are many factors influencing the pulp and paper industry. The main emphasis in this paper is to discuss how external changes and different driving forces will challenge the strategic management within the pulp and paper industry. For Nordic companies Western Europe is still the home market in competition with local producers and an intensive competition from companies in North America and Canada. New actors from South Africa and Asia are also adding to that competition. At the same time Nordic companies are interested to expand their business into evolving market areas in Asia and into Latin America.

Research design

This paper is based on results from an ongoing research project about the strategic changes taking place in paper producing companies due to the rapidly changing business environment. In order to stay sustainable in the changing business environment a company must be able to not only manage the standard economic factors affecting the core business, but also environmental and social factors as well. In order to follow different changes in the market place as well as the different companies' strategic action a longitudinal approach has been applied, which will make it possible to follow the companies' actions over a longer period of time. At this stage of the research the interest has been concentrated to four companies, which represent different strategic direction.

The research method in this paper is a triangulation based on official documents from the companies involved in the study e.g. annual reports but also internal documents and official material published by the company's e.g. on internet. However, the main information comes from interviews with managers in the companies at Division level. In these interviews an interview guide has been used, but the managers has also been allowed to describe their perception about what they recognise as important factors affecting the business environment for their core business. The managers have also been asked to describe how their company will meet those challenges. The number of interviews is ten and all companies have been interviewed twice and two companies three times. The interviews have taken 1-1.5 hours each. The companies has also informed about where to find further information in this matter. This study is also concentrated to products based on paper packaging materials.

The Business Network

A company's success in business markets depends to a great extent on its relationships with customers and suppliers. All customer and supplier companies that do business together have some sort of relationship. Companies do not normally buy products and services from companies that they do not know. Most companies have developed a schedule or a buying policy implementing that purchases only can be made from approved suppliers, where some effort has been made to understand the supplier's quality and reliability in the offering. In most industries the relationship is built up during considerable time. In some industries these relationships has been developed from a few up to twenty years. The relationship between different companies can be explained over a continuum from pure transactional relationships to collaborative relationships or partnerships. The working relationships are embedded in business networks (Håkansson & Snehota 1995) comprised of connected relationships. Working relationships and business networks are complex phenomena that also exist at multiple levels.

A business network is a set of two or more connected business relationships. Connected means (Anderson & Håkansson & Johansson 1994) the extent to which exchange in one relation is contingent upon exchange (or non-exchange) in the other relation. Two connected relationships can also be directly or indirectly connected with other relationships as a part of a larger business network. A focal relationship can also be connected to several different relationships that either the supplier or customer has, where some are with the same third parties.

A lot of research (Easton 1992; Håkansson & Snehota 1995) has been devoted to explain relationships and business networks. The business network (Håkansson & Johansson 1992) can be analysed by using a model of three components – *actors*, *activities* and *resources*. Actors are companies such as suppliers and customers that perform activities and control resources. Actors perform activities such as transactions and create value by transforming these resources in the mind of the customers. Resources can be of many kinds and refers to anything that actors explicitly value for their business processes. This means that resources can take many forms such as technology and technical know-how, equipment, personnel or capital for investments which the company can use to generate greater value for the company itself or other stakeholders. In some situations a company can possess a given resource for strategic purposes, but may instead look for other companies to develop the resource collaboratively. This can be in the form of a partnership or an alliance.

Actors in the Paper Supply Chain

In a paper supply chain there are different actors involved at each added value level. In the first stage the producers are depending on different suppliers of raw materials. The dependence on external actors is depending on the grade of vertical integration in the following stages of the supply chain. This is highlighted when it comes to further converting or added value processes such as lamination or coating of different materials. The vertical integration can be both in the form of a technical or a commercial integration in the supply chain. In research (Stank & Goldsby 2000; Alvarado & Kotzab 2001; Tan 2001) the traditional purchasing and logistic functions have also evolved into a broader strategic approach to materials and distribution management known as supply chain management.

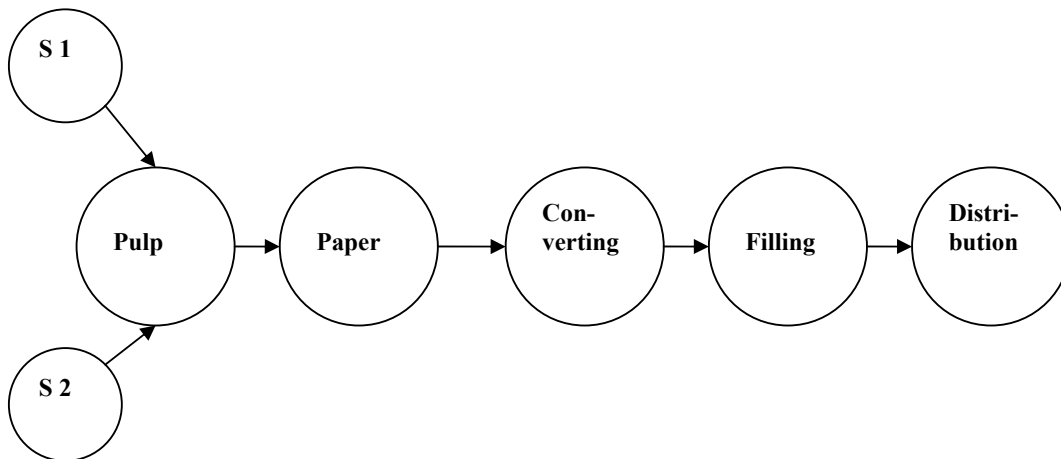


Figure 1: The Paper Supply Chain

Supplier's supplier

The suppliers to the paper supply chain are both in the form of products and services which are incorporated into the product or support the production process. The raw material is to a great extent virgin fibre, but also recycled material is used. Depending on the pulp production different chemicals are used. The consumption of energy is also depending on the pulp

production process. The industry is supported by different services such as logistics and consultancy work for assessment of markets but to a great extent for technology development.

Pulp Production

The first stage in the paper supply chain is the production of pulp and Western Europe is the biggest market. After the focus of investments on environmental issues in the 1980s and 1990s the industry is now keen on to make investments into projects that help to reinforce customer relationships using R&D as a competitive tool. Even if customers still are keen on price in deciding the supplier of market pulp, new factors are becoming more important. Customers are interested in stock management, logistics and information technology. Different technology projects and better pulp market information has also been of interest amongst the smaller customers. The R&D has also brought new qualities on the market which have given the possibilities for differentiation.

Paper Production

Within the second stage of the paper supply chain R&D has given the possibility to produce new qualities at an even higher speed. Another trend is that paper and paperboard mills are beginning to move operations that have been off-machine to on-machine operations. Paper mills are moving toward on-machine coating and converting to increase manpower efficiency but also to decrease the need for extra machinery for converting purposes. This will also have an effect on the logistics and reduce maintenance. Various types of monitoring and control equipment are also adopted for different functions. Due to cost and quality purposes paper mills have moved into the usage of different fillers. These fillers contribute to higher opacity and printability but a drawback is the reduction of strength properties of the paper. This development requires an even closer relationship between the suppliers and the mill to manage the papermaking process.

Converters

In the third stage the paper is either converted to different sizes in relation to market requirements or has an added value by coating and printing. The coating can be done in several steps depending on the end-use including combinations with other materials. In the packaging area there are many different solutions and innovations in relation to the end market. Innovations have also created new packaging technology and smart packaging is the concept of tomorrow.

Fillers

At this stage the packaging material can have been converted in several steps before it arrives as a packaging material or as a ready box suitable for the necessary filling process. In this step another production company are normally filling or processing the packaging material to boxes filling it with its products e. g. food, CD-records or some other products.

Distributors

Before the product is reaching the end market it has gone through several added value steps. In the case of a packaging material it can either be for industrial purposes or function as a package for the consumer market. In the second case the packaging material has been filled

with a liquid or a product into a consumer package. In most cases the products are distributed via a retailer or a supermarket. The structural changes within the food industry have also had a great influence on the distribution. Due to concentration within many industries e.g. the food sector, but also on the retailing side, the bargaining power has increased from different groups buying packaging material. This has also influenced the roles of the parties within the paper supply chain. However, distribution is taking place at all the stages within the supply chain.

Activities in the Paper Supply Chain

From a theoretical point of view activities (Håkansson & Johansson 1992) occur when one or several actors combine, develop exchange or create resources by utilising other resources. These activities take the form of *transforming* and processing different resources by adding value at different stages in the paper supply chain. Another important element is also the *transfer* activities either to further processing or directly to customers. Single activities can be linked to each other in different ways. Especially within the Swedish pulp and paper industry with a very high degree of vertical integration in relation to competitive producers where the level of integration can be at a much lower level. Many activities are therefore tightly coupled to each others while others are more loosely coupled. However, a complete activity cycle is seldom controlled by a single actor.

Resources in the Paper Supply Chain

The resources within a paper supply chain are controlled by the different actors. However, basic resources of strategic value are also controlled by single or jointly controlled actors outside the paper industry. These resources are either in the form of raw materials or as supplies necessary for the production process in the form of products or services for the business. Resources are heterogeneous (Håkansson & Johansson 1992; Håkansson & Snehota 1995) and have attributes in an unlimited number of dimensions. Some of the resources have also an alternative use either within other industries or for further processing.

Fixed Resources

One important factor of a company's resources is to what degree they are fixed to the particular business. Most of the investments in plant and equipment can not be used for other purposes. Even the skills of the staff might be difficult to change in the short term. *These fixed points (Ford et. al. 1998) are severe restrictions on what the companies can do for each other and are the basis of the paradox that business companies have to be production-oriented in order to be market-oriented (p. 47).* The paper industry have a lot of resources tied up which can not be used for other production purposes than intended. This is especially relevant for production with a low added value.

Shared Resources

Another factor to consider is the nature of the resources in relation to its counterparts or companies that they are in cooperation with in the paper supply chain. This can be expressed (Ford et. al. 1998) in two ways. The first issue concerns what resources are necessary and the second how to handle the way the resources of the two companies are related to each other. This can be a matter of how to co-operate or jointly develop new products, processes or logistic functions. It can also concern questions about to develop a company's own resources or utilise resources from suppliers by buying products and services.

Investments

Even if the main part of the investments within the pulp and paper industry are going to fixed resources in technology and production facilities there are others which are necessary for supporting the business. In some cases it is also of importance to co-operate with other suppliers for tailoring products and services for particular customers. This can be in the form of product development but also by combining resources for tailoring a particular product which should not have been able to deliver by single actors. However, this can also lead to that resources and investments are necessary in relation to a counterpart. The management must therefore consider the possibility to do these investments within the company.

Strategic Resources

The last decade has been challenging for the whole forest products industry due to changing demand and restructuring of different end users industry. The need for reaching competitiveness (Porter 1990) is to a great extent depending on the possibility to be cost effective. For the pulp and paper production this is to a great extent depending on the cost for different raw materials.

In the paper supply chain there are many resources that are of strategic value at each production stage. At the first stage the producer is depending on the suppliers of different raw materials, but also for products supporting the production process and services for the same purposes. The degree to which resources are substitutable for one another is also an important issue in the industrial market since there is a severe competition in many market areas.

Classifying Resources

Trying to classify and list different resources may be a difficult task since it might be impossible to find an inventory of the resources that a company possesses. A starting point can be the balance sheet which shows a valuation of the company's assets. The balance sheet

Tangible Resources	Intangible Resources
<ul style="list-style-type: none">• Physical (plant and equipment, raw materials, technology, flexibility, location, size)• Financial (cash flow, borrowing capacity, cash reserves, short- and long term financial assets)	<ul style="list-style-type: none">• Human (experience of top management, experience and skill of employee, loyalty)• Technology (R & D facilities and staff, technology know-how, transfer of technology, patents, trade secrets)• Relationships (customers, suppliers, distributors, government authorities, consultants)• Reputation (product brands, trademarks, company reputation)• Services (internal/external in relation to customers, suppliers, distributors, consultants)

Figure 2: Tangible and Intangible Resources within the Paper Supply Chain

focuses to a great extent on the *tangible* resources, where some *intangible* resources may not be accounted for or not given the true economic value. For some companies the intangible resources can be as strategically important as the tangible resources, especially for companies marketing products with a higher added value.

Management Capability

Another distinction that might be possible to make is that resources on their own can achieve few results for a company. It is by using the resources in an efficient manner that productivity and competitive advantage can be reached. The ability to organise the resources in a strategic manner (Day 1994) distinguish the companies that will achieve their targets and markets shares from the companies that will have to struggle for their future. The experience and management capability is an important factor for competition in new and mature markets. The different capabilities can be described by functional capabilities within the company.

Management Experience

- Strategic management
- Multinational management
- Acquisition management

Production (processes)

Logistics

Research & Development

Marketing

Design

Human Resource Management

Table 1: Management Capability

The Strategic Challenge

The remarkable growth of the global economy over the past 50 years has been shaped by the dynamic interplay of various driving and restraining forces. During most of the time companies in different industries achieved great success by pursuing international or global strategies.

Due to the competitive situation in different market areas the paper industry is under the pressure of a need for improving the profitability by overhauling its purchasing and marketing activities. This is done in order to reduce costs and improve efficiency and supply chain management has become a new paradigm for the industry. Both mills and suppliers have responded to this paradigm by forging integrated and long-term relationships built on communication, commitment and mutual gain. The increased competition will focus the strategic issues in this business sector and require a higher market orientation.

The strategic challenge for a company is to transform its strategic intent and resources into a competitive advantage by using these assets effectively. A crucial issue is the period during which the company can sustain its competitive advantage. Even if the resources and capabilities on which the competitive advantage are durable it is likely that it will be eroded by competition from its rivals in the particular industry. The durability of the competitive advantage will to a great extent depend on how easy it is to transfer these resources and

capabilities between companies. This is especially true if the equipment is based on investment from a third party where other companies also can acquire the same advantage. Other resources are likely to be more specific to the company and are also more difficult to transfer.

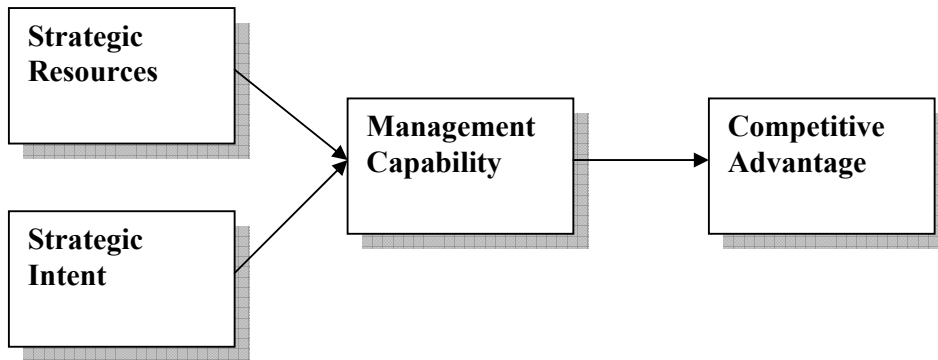


Figure 3: Strategic Resources for Creating Competitive Advantage

When a company possesses strategic resources and have a strategic intent it depends to a great extent on its management capabilities if it can create a superior competitive advantage in relation to the prevailing competition. An important issue is to recognise which of the company's capabilities are critical to its success. Hamel & Prahalad (1993, 1994) refer to these as the core competencies in the company which also are basic for the development of the competitive advantage and central to the development of the strategy.

From Strategic Resources to Competitive Advantage?

Even if a company are in the position of having developed strategic resources it depends on its management capability to adopt a competitive strategy that utilises these resources in an efficient manner in relation to its competitors. Hamel & Prahalad (1993, 1994) argue that for a long-run competitive success companies must recognise and nurture their core competencies. One phenomenon that has been noticed within the Swedish pulp and paper industry is that a few companies are divesting some of their strategic resources and have made investments in others.

The allocation of resources from a management point of view is to invest and support in those business areas where the projects produce (Day & Wensley 1988) the highest economic return for the company in relation to an industry life cycle. The strategic plan for each business unit should outline the drivers for the unit's competitive position and the sources for its economic return. For a company within the pulp and paper industry company management need to determine which business area will contribute most to the company and direct resources towards them. Even if the pulp and paper industry can be regarded as mature industry a company can not ignore the inevitable erosion of its core business due to maturation from other solutions to packaging problems. The strategic planning should therefore always take notice of the challenge from new business development.

Some Findings

In order to provide an economic advantage a company's resource must be difficult to imitate or to neutralise through substitution. At the same time most resources can be traded in the sense that they have a value for a potential buyer. However, the value of a resource is depending on how much it contributes to the economic performance, but also of other aspects of its owner. The value of a resource for a particular company is therefore depending on other resources and capabilities within the organisation. A capability denotes the ability (Nelson 1991) to accomplish tasks that are linked to higher economic performance by increasing value, decreasing cost, or both. A capability is likely to be both less stable and less fungible than a resource.

From the interviews in relation to this paper it is possible to observe that some company's treat the same kind of resource differently. This is true for a basic and strategic resource like forest or electrical power, resources that are fundamental for the production of pulp and paper.

Company Profile – The Merger

The alliance was formed by three mills with different geographical locations and the merger became official in 2001 and listed on the Swedish stock exchange in November the same year. The company is a leading European manufacturer within certain product segments, such as MG/MF kraft paper and sack paper. The company is also a well established supplier of containerboard and market pulp, particularly on the European market. The company consider itself at the front of packaging papers development and the size allows the company to offer the benefits of cost-efficient production and consistently high quality. The production of products with unique properties for special applications also enables the company to develop and produce the pulp and paper that customers ask for. This can either be materials in the field of sterile medical packaging, filler friendly sacs or corrugated boxes for sensitive electronics.

Strategic Resources

One of the main issues for the management was to combine the possibilities for the best production outlet by using the total production facilities. This has been possible by a sharing and combining customer orders for the paper machines at the different mills. This has changed the product mix to some extent, but has also given a more efficient and cost effective production planning between the mills and has given the opportunity for longer production runs. At the same time it has also given a better customer service for smaller orders.

Company Profile – The Paper Conglomerate

The company has developed by mergers and acquisitions to become one of the biggest paper producers in the world and with a vision to become the customers' first choice. The company is producing magazine papers, newsprint, fine papers and packaging boards, areas in which the company consider itself as global market leader. The company also conducts extensive saw mill operations. In order to serve the market in USA in a better way, a U.S. based paper company was acquired in 2000. Selective core business expansion is also planned for in Europe, North America and Asia.

Strategic Resources

As an integrated company it is able to satisfy a significant part of its raw material needs internally, ensuring continuity of its production. The company owns approximately 2.6 million hectares of forest land in Finland and Sweden and some 0.3 million hectares in the United States as well as significant forest areas in Canada and Portugal. Power plants also provide 40 % of the company's power requirements. However, in recent years the company has decided to divest its forest ownership in Finland and Sweden together with its shares in power mills. The intention is not to tie resources in these activities and to buy from the free market. The capital should instead be used for strategic acquisitions and mergers or other necessary investments.

Company Profile – The Packaging Company

The packaging company is an important part in the paper Group producing and marketing hygiene products, packaging solutions and publication papers. Western Europe is the main market but the Group also holds strong positions in certain segments in North America. The group is growing both organically and through acquisitions. The packaging company is to achieve average annual growth of 10-15 % through acquisitions and organic growth. The European supplier structure for corrugated board packaging is relatively fragmented which provides opportunities to acquire small and medium-sized companies. The packaging company also wants to expand in the value-added segments of the packaging market such as heavy duty packaging, protective packaging and high quality prints. The packaging company also plans to strengthen its efforts of services in areas such as design, logistics and distribution.

Strategic Resources

The production is based nearly exclusively from renewable and recyclable materials. Equal quantities of recycled and fresh wood fibres are used in the production. The Group owns approximately 1.6 million hectares of productive forestland and conduct saw mill operations. The common fibre base provides control over raw material costs and facilitates effective integration of raw materials into the production. Research and development, joint procurement of energy and coordinated logistics are examples of areas in which synergies might be used within the Group. The Group has also continued to acquire forestland from competitors. During 1997-2002 the Group's forest products have generated a cash flow of approximately 8 billion SEK of which a large percentage has been invested in the expansion of hygiene and packaging products expansion. A strong cash flow has enabled the Group to take greater advantage of unique acquisition opportunities regardless of the conditions on the capital market.

Company Profile – The Paper Cluster

In 1999 executives from different areas of pulp, paper and packaging companies met to discuss common issues facing the industry. A working group made 150 visits to canvass the opinion from different companies. The discussions soon turned into the formation of a professional representative organisation (a limited company owned by its members) for the cluster. Key objectives were forging better links with local and national government but also for marketing the region's unique competence. The objective was also to create a forum for networking and the exchange of ideas between the different companies. 40 companies from

the region's pulp, paper and packaging industry had joined the official cluster in 2003 and the intention is to increase the membership by at least 50 % by the end of 2004. The potential in the region is 250 companies producing forestry products and the region's 11 paper mills are responsible for about 30 percent of all paper produced in Sweden. The limited company was formed by a public-private partnership.

Strategic Resources

The region has a critical mass of world class companies across the entire value chain often linked to each other by buyer-seller relationships. This involves a network of actors with different production facilities and where the first and second tier suppliers provide products and services to the big pulp and paper producers. Together with those involved in IT, package design and flexography printing they contribute in forming a high competence centre for the total cluster. Even if there are some actors with international well-known industry brand names there are also far smaller expert actors providing products and services to the larger companies. These suppliers are involved in delivering chemicals, machinery and plant components or high-tech products among many others. The success of the cluster is due to the high competence of the people who work at the companies and the companies has a high reputation for R&D into new products and some of the companies have excellent research facilities for the global industry. The main products produced within the cluster are papers suitable for packaging purposes.

Discussion

The success for a company in any market is to great extent depending on how the management are able in using its capabilities and strategic resources for developing competitive advantage. At the same time a successful company must defend its superior market position from competitors and substitute solutions.

Company	Strategic Resource -Internal-	Strategic Resource -External-	Strategic Resource -Tangible-	Strategic Resource -Intangible-	Capability
Merger	X	X	X	X	Management experience Logistics
Conglomerate	<i>Divestment of forest and energy</i>	X	X	X	Management experience Logistics R&D
Packaging Company	<i>Investment in forest</i>	X	X	X	Management experience Logistics R & D
Cluster		X	X	X	HRM

Table 2: Strategic Resources within the Company

In order to defend its competitive advantage from erosion depending on competitive activities and driving forces in the industry a company must prevent different rivals from copying its assets. At the same time it must induce customers not to switch to comparable or substitute

products. In this competitive environment companies use a variety of means to protect their resources, capabilities and customers from competition.

The different “actions” or activities can range from using property rights to maintaining a high rate of innovation to increase customer costs in searching for and changing to new products. In the pulp and paper industry it can also take the form of vertical integration in order to get control over the supply chain.

Within a paper supply chain the need for strategic resources and different capabilities is to great extent depending on the where in the supply chain the activities are taking place and the added value level of the product.

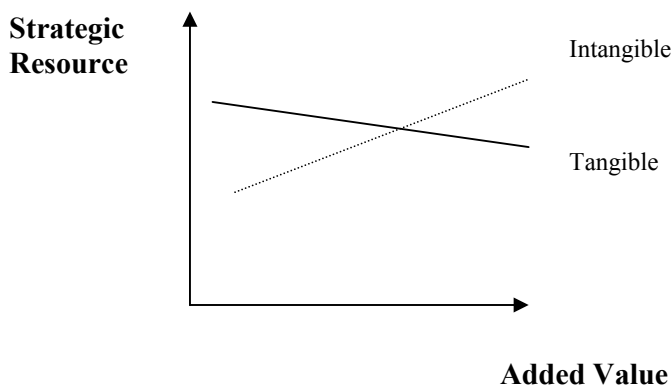


Figure 4: Investment in Strategic Resource and Added Value

For a low added value product the requirements are in the form of high investments into technology and production capacity in order to reach scale of economies in production. As we go to a higher added value the requirements will differ and other resources such as R & D facilities, marketing and design will have a greater influence on a company’s success. However, management’s experience is obviously of importance regardless of the added value. Another reflection is that tangible resources seem to have a greater influence at a low added value level. On the other hand it seems that intangible resources to be more important for production at a higher added value level in the paper supply chain.

Influencing Factors

Resources that are of strategic value for a company may be affected and eroded by different factors that are driving (Porter 1996) the competition within the business environment. At the same time they can also be used and developed by others.

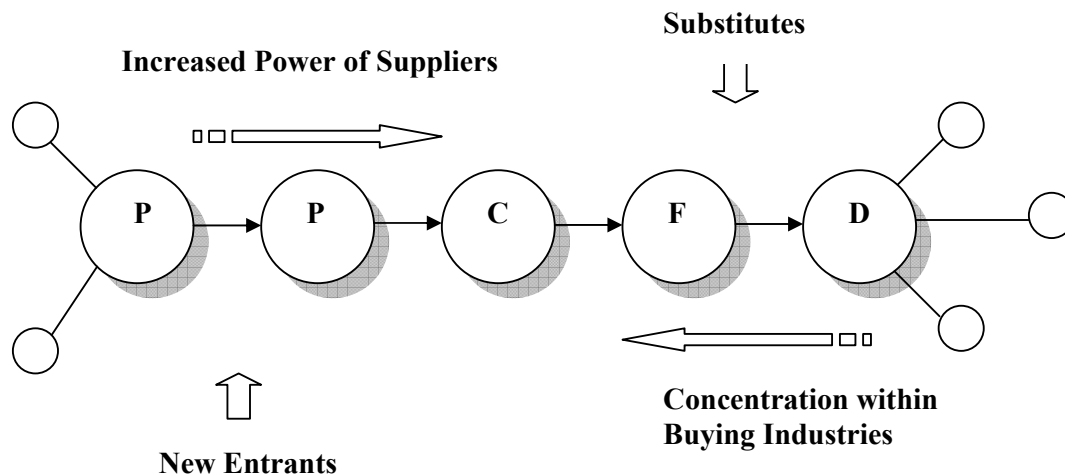


Figure 5: Influencing Factors

Threats of substitute products

Some of the competition within the paper and especially the packaging industry is also coming from substitute products. Different solutions to packaging problems have been possible to solve by using plastic materials. In other areas plastic has been combined with paper or board to create new combinations which have given customers new products with other properties.

Bargaining powers of suppliers

One important driving force within the paper industry is coming from new technology. The pulp and paper industry has during several years been driven by technology and a high product orientation. Due to structural changes within the networks on the supplier side the bargaining power has increased from the supplying side of technology.

Bargaining powers of buyers

Due to concentration within many industries e.g. the food sector, but also on the retailing side the bargaining power has increased from different groups buying packaging material. This has also influenced the roles of the parties within the paper supply chain.

New entrants

The paper industry has also faced competition from new suppliers in other regions and parts of the world. These competitors have been able to base their production on lower costs for raw material and other manufacturing costs.

Other Market Factors

A customer orientation within the company is about planning for customers' needs and researching markets continuously so that the company's products reflect what the customers want. Customer orientation is also about the ability to create value for the target customers which require a deep understanding of customer requirements. A market orientation also requires an understanding of the competitive situation within the particular industry where the products are sold. It is also necessary that a company is co-ordinating their resources to reach

this level. Due to rapid changes in tastes and habits by end consumers but also depending on changes within sizes of households and other demographics it also necessary that the suppliers can track and analyse such important trends. Other market factors will therefore have a great influence on the demand for different paper and packaging products. Despite the use of electronic media it has so far increased the consumption of paper in volume terms. However, the media habits for the coming generation might be different from now on. The development of e-commerce within the paper industry might also affect trade patterns in different industries as well as the consumption and stockholding of different paper and packaging products.

There are obviously several factors in a competitive situation that can affect the importance of a resource for the company. Some of them are influencing the resource by supporting it, while others are eroding the importance of it for the same company (see table 3 below).

Supporting Factors	Eroding Factors
<ul style="list-style-type: none"> • Management Capability • Investment • Know-How • Strategic Action – integration/acquisition 	<ul style="list-style-type: none"> • Substitute • New Technology • Innovation • Decreasing Value within the Market Segment • Strategic Action by Competitors such as New Market Entry • Structural Change • Loss of Capability

Table 3: Supporting versus Eroding Factors for the Benefit of a Resource

When Does a Resource Become Strategic?

Resources are assets that can be traded (energy) and some are even sold on a stock exchange (pulp), but the main part is purchased the traditional way. Some resources like ownership of an abundant or especially valuable natural resource can require small investments to keep their value for the company. Other resources like a brand or a distribution channel might need to be attended to and require investments on an ongoing base to keep their value. This also requires an ability within the company to *develop capabilities* that contribute to a resource’s economic benefit. To provide an economic or competitive advantage for the company a resource must be difficult for competitors to imitate or to neutralize its value through substitution or other competitive activities. *A resource become of strategic value for the company when it contributes to a company’s market position by improving customer value or lowering cost. In some cases the strategic value is of the magnitude that it affects both.* On the other hand a resource can be of no value if the company does not have the capability of using it or does not understand its value for the company *or* the market.

Conclusion

From the discussion above it is obvious that the strategic resources and the management capability will have a great impact on the achieved competitive advantage and the possibilities for a paper company to be successful in the international market regardless of the added value level. The tangible and intangible resources seem also to be of different importance depending on the added value level. It can also be noticed that the different strategies applied by the companies are shaped by how different resources and capabilities are used by the companies. In one company basic resources for pulp and paper production will be purchased on the open market, while two other companies are depending on internal resources for the same purposes. In the cluster other resources will be combined in an effort to increase the efficiency and competitive power for the different parties. The importance of a strategic resource is also depending on the degree of integration to the next level in the supply chain, or if the resource can be purchased on the market at a competitive price for the purpose of further converting.

Strategic resources will affect the relationships between different actors in the business network in relation to the degree of vertical integration and the competitive structure. An intensive rivalry can also affect the balance for important strategic resources since competitors might see the possibility to improve their position in the business environment. However, the possibility for a resource to become of strategic value for the company will to a great extent be dependent on the capability within the company to understand or using it for reaching customer values in the market place. A capability denotes the ability of a company to reach targets that are linked to a better economic performance by increasing value, decreasing costs or both. The ability of using strategic resources by internal capabilities might create important competitive advantages in the market place.

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