

The influence of power on the depth of collaboration

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Abstract

The study analyzes the influence of power on the depth of collaboration by concentrating on the power relations and collaborative relationships between buyers and suppliers. In the present business environment companies form collaborative relationships and networks, and a critical issue for all the networks is their capability to create value. This study utilizes the value net approach and combines it with the literature on power relations. The aim here is to analyze how power influences the depth of collaboration in the value net context. The case study focuses on power relations and collaboration in the Finnish food industry. The results of the study indicate that the power positions and the roles have an influence on the relationships which are established in value nets. The study shows that if the actors do not have balanced power positions, the collaboration is scarce and shallow. Furthermore, when one actor has power and dominates the other actor, the predominant actor does not have incentives for collaboration. If the actors have balanced power positions or their power positions are close to each other, they have a good basis for collaboration.

Keywords: power, collaboration, value net

Introduction

In the present dynamic business environment companies are forming collaborative relationships and networks. The increasing competition and changes in the business environment create challenges for companies who try to be successful and efficient in such a demanding environment. Current changes in the business environment are redefining the characteristics of business relationships, concepts, tools and strategic approaches (Parolini, 1999). The strategic approach is changing from an enterprise-focused perspective to one that is extended to include value-creating systems and networks (Parolini, 1999). Achrol (1997) has stated that one of the fundamental shifts in the 21st century is from a dyadic perspective of interorganizational exchange relationships towards a network perspective of value creation involving different types of network organizations. In the present business environment, competition is increasingly taking place between networks rather than individual companies.

Critical issues for all types of networks are their capability to create value and the underlying system through which the value is produced (Möller and Rajala, 2007; Möller and Svahn, 2003). This value system construct is based on the notion that each product or service requires a set of value-creating activities performed by a number of actors forming a value-creating system (Möller and Rajala, 2007). Möller and Rajala (2007) have emphasized that it is the customers who, through their buying and consuming activities, define the value of the offer produced by the net. Furthermore, the ultimate test of value is how the end-customers perceive and evaluate the offerings that competing networks provide (Möller and Svahn, 2003).

The value net model has been developed to enable the analysis, description and study of value-creating systems. The value net model takes activities rather than companies as the key elements of strategic analysis. (Parolini, 1999) In this view companies are regarded as complex nodes in complex interdependent value networks, where success comes through collaboration, cooperation and creating a business environment where each actor can be successful (Allee, 2003). In the value net, the actors

are connected to each other through complex relationships. Some of these relationships are intensive trust-based relationships where information is exchanged openly. However, there are also relationships which cannot be called collaborative because of their character. The value net actors have different kinds of power relations and dependencies in these relationships. The roles and the capabilities of the value net actors affect the power positions of the actors, and the power relations influence the collaborative relationships which are established in the value net.

The aim of this study is to analyze how power influences the depth of collaboration between a buyer and supplier. The study concentrates on analyzing the power relations and collaboration from the value net perspective. This is made by studying the roles and power positions of the value net actors, and the relationships between these actors. The study is conducted from the viewpoint of supply management, and it combines the value net approach with the studies on supply management. This paper contributes to supply management and value net research, as well as to the research concerning power relations.

So far the studies of value nets have mostly concentrated on the ICT sector, and there is a limited amount of research in the field of food industry which is, however, a very traditional industry and one of the biggest industries in the EU. In addition, the food industry has several features which create special demands for the business. The business environment is changing, and food industry companies are forced to develop new business models. The companies are creating networks and value nets, and try to achieve benefits through these new business models. Because food industry companies utilize these new and more competitive business models, it is important to study value nets, power relations and collaboration in the context of the food industry as well. Therefore, this study examines the power relations and collaboration in the context of the Finnish food industry value net.

The influence of power on the depth of collaboration in value nets

A value net (see e.g. Allee, 2003; Bovet and Martha, 2000; Jarillo, 1998; Möller et al., 2005; Parolini, 1999) is a dynamic, flexible network where the actors create value through collaboration. A value net model has been extended from Porter's (1985) value chain model which has been criticized by several authors (see e.g. Amit and Zott, 2001; Hines, 1993; Hines and Rich, 1997; Kothandaraman and Wilson, 2001; Parolini, 1999). The industrial network approach (e.g. Håkansson, 1986; Håkansson and Johansson, 1992) and the strategic value net approach (e.g. Jarillo, 1998; Parolini, 1999) are utilized in this paper to provide a theoretical background for the study of value nets. These two complementary network approaches are often used (see e.g. Möller and Rajala, 2007; Möller et al. 2005; Svahn and Westerlund, 2007) to study value nets and their structures.

The efficiency and vitality of the value net is based on its ability to be organized in a way that it can create as much value as possible to end customers. Therefore, a value net is formed around customers and it is capable of responding reliably and rapidly to customer preferences (Bovet and Martha, 2000). A value net makes the final product or service more valuable to the end customer than it would be otherwise (Hines and Rich, 1997). A value net model is based on collaboration, and the relationships between the value net actors should be partnership relationships based on trust, commitment and collaboration rather than arm's length relationships based on competition.

Power positions and collaboration in value nets

The value net actors have different roles and positions in value nets. According to Wilkinson and Young (2002), a network position refers to the role a firm plays in a network and how it is linked directly and indirectly to other firms in the network. Gadde et al. (2003) have stated that the potential to influence others is a function of the company's network position, and is defined by the characteristics of the company's relationships. According to Johanson and Mattsson (1992), the

concept of network position provides a conceptual understanding of how an individual actor is related to, or rather, embedded in the environment. Håkansson (1986) has stated that the character and the role of the actor depend on the activities the actor performs or controls, the resources they manage and the knowledge they have about the activities, resources and other actors in the network, and all of these define the actor's position in the network. In this study power position in a network refers to *a combination of the role the actor has in a network and the relationships it has with the other network actors.*

The network position is part of the firm's resource base that both enables and constrains its actions and strategic vision. Network positions are continually being redefined and reshaped by the process of action and interaction taking place in the network. (Wilkinson and Young, 2002) The positions change all the time, not only because new relationships are developed, old ones interrupted and others change in character, but also because the counterparts' and third parties' positions are changing (Johanson and Mattsson, 1992). According to van Weele and Rozemeijer (1999), competitive and environmental changes have led companies to reconsider their roles and positions. Van Weele and Rozemeijer (1999) have observed examples of this reorientation of the role and position of suppliers in networks in many industries. One example comes from the retail sector where due to the large concentration that has taken place on the buyer side, suppliers are confronted with ever higher demands in terms of financial contributions and logistics performance.

Johanson and Mattsson (1992) have stated that the relationships between the network actors define the positions of the actors in the network. Furthermore, the firm's position in the network depends on the nature of the direct and indirect relationships it has with other actors. Firms are as much the product of their relationships and network positions, as these are the results of the firm's own strategic actions and intentions (Håkansson and Ford, 2002). Since positions can be defined for all of the actors in the network, the concept can be used to characterize network structure and network distance between actors (Johanson and Mattsson, 1992).

The existence of value nets is partly based on the idea that individual companies cannot internally master all the relevant value activities of the value chain, and it is not economically rational for them to do so (Möller et al., 2005). In value nets firms do not operate in isolation but they must seek to collaborate with other network actors to achieve their goals (Batt and Purchase, 2004). Firms do not survive and prosper solely on their own individual efforts, as each firm's performance depends in important ways on the activities and performance of others and hence on the nature and quality of the direct and indirect relations the firm develops with these counterparts (Wilkinson and Young, 2002).

As the network is a set of connected relationships between firms (Håkansson and Johansson, 1992), effects will flow through the various relationships that the focal firm has established with other connected actors (Batt and Purchase, 2004). Collaboration within one relationship will affect relationships with other closely connected actors, making the collaboration process and its outcomes contingent upon the goals of the network rather than the dyad (Batt and Purchase, 2004). Relationships between network actors represent valuable bridges as they give one actor access to the resources of another (Harland, 1996). Business networks are forming around knowledge bases such that the maximization of knowledge is obtained through network collaboration rather than through individual business units. As networks potentially provide the firm with access to information, resources, markets and technologies, relationship building may not only be the most important resource of the firm but also the source of sustainable competitive advantage (Batt and Purchase, 2004).

Reciprocity and reliance on other firms ensure that firms are required to both give resources to the network and take resources from the network to collaborate (Batt and Purchase, 2004). Gadde et al. (2003) have stated that a significant part of a company's total resource base is located beyond its ownership boundary and is controlled bilaterally with other firms. Therefore, the resources of a

company are tied to resources in other firms. Companies involved in close relationships try to combine their resources systematically. One resource can be used and combined with others in many different ways, because it has multiple features. According to Gadde et al. (2003), there are good reasons for a company to be deeply involved with its counterparts. In order to utilize the resources of another firm in the best way, it is necessary to develop a relationship in terms of breadth and depth.

The influence of actors' power on collaboration

Power is an essential characteristic of a social organization and an inevitable instrument for inter-organizational coordination (Achrol, 1997). Cox (1997) defines that the structure of power means analyzing and describing who gets what, where, how and when, and it is also about the structures of dominance and dependence in business relationships. Power can also be defined as *the ability to control* (El-Ansary and Stern, 1972), *the ability to influence* (Mohr et al., 1996), *the ability to evoke* (Gaski, 1984), *the ability of a firm to affect the decision-making and/or behavior* (Wilkinson, 1996), *the ability to manage the perceptions of the other party* (French and Raven, 1959), or as *the ability to impose their will on others* (Blau, 1964). Furthermore, power is the ability to cause someone to do something he/she would not have done otherwise (Gaski, 1984). In this study power is defined as *the ability to influence the decision-making and the actions of the other party*.

Sources of power in the buyer-supplier relationships and in the networks have been studied by several authors (see e.g. Bates and Slack, 1998; Cox et al., 2001; Doz and Hamel, 1998; McDonald, 1999; Nishiguchi, 1994; Porter, 1985; Ramsay, 1996; Stannack, 1996; Thorelli, 1986). The power of the buyers and suppliers derives from various sources. In several studies (e.g. Cendon and Jarvenpaa, 2001; Cox, 1999; Cox et al., 2001; Doz and Hamel, 1998; Medcof, 2001; Ramsay, 1996) the resources, competencies and capabilities the actor owns are seen as essential sources of power. An actor who controls several activities and resources and owns a great deal of knowledge regarding the value net is a major actor in the value net. It can be argued that the resources, competencies and capabilities define the roles of the value net actors and have an influence on their power positions. Furthermore, the power positions and the roles affect the relationships which are established in the value nets (see Figure 1). The relationships are the building blocks of networks, and the value creation ability of the value net depend on the character of the relationships. Anderson and Narus (1999) have stated that cooperative buyer-seller relationships can be the source of value creation. If the relationships are collaborative relationships, the value net will more likely be able to create value for its actors and the end customers and to be successful and efficient.

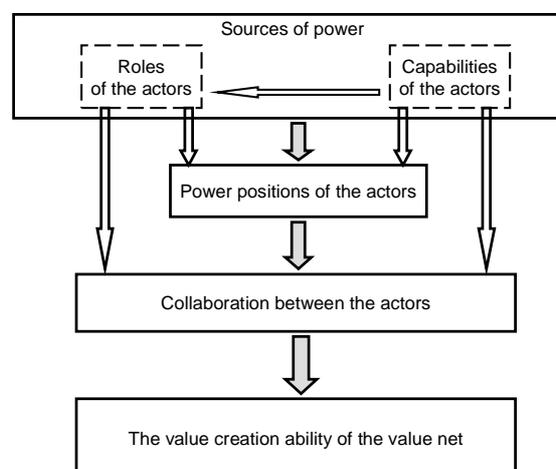


Figure 1. Power as a determinant of value net collaboration.

The network structure and position affect how network collaboration will occur and between which actors' collaboration will take place (Batt and Purchase, 2004). The value net actors form collaborative relationships with the actors who have complementary capabilities and resources through which the efficiency and utilization of their own capabilities are improved. These capabilities define the actor's role in the value net. Therefore, the capabilities and roles of actors determine the character of the relationships. The relationships established in value nets are also affected by the actors' power positions. The actor who has a dominating power position in the value net may not be willing to form tight collaborative relationships with other actors. Rather than, for example, share information openly, the powerful actors may be reluctant to share information because of the fear of losing their power.

According to van Weele and Rozemeijer (1999), attempts to strive for partnership relationships, both from the buyer and the supplier, often fail due to a lack of understanding of the power positions of the parties involved. Moreover, failure can result from not understanding the conditions that should be met in order to make such relationships successful. The value net actors need to consider the roles and power positions of actors when creating collaborative relationships. The positions and roles of the actors strongly affect the character and the depth of the relationship.

Van Weele and Rozemeijer (1999) have combined the discussion on power relations and collaborative relationships with the portfolio approach. They have presented a matrix where power positions and power dependency are shown in the purchasing portfolio. Their research indicates that in the purchasing portfolio context the power balance between a buyer and a supplier can only be achieved with strategic products where both the importance of the purchase and the supply risk are high and with routine products where both the supply risk and profit impact are low. The supplier is dominant with bottleneck products where the importance of the purchase is low and the supply risk is high. The buyer, on the other hand, is dominant with leverage products where the importance of the purchase is high and the complexity of the supply market is low. According to van Weele and Rozemeijer (1999), partnerships can only grow when there is a certain balance of power between both parties. From this perspective, collaborative relationships may therefore only develop with strategic and routine products. (See more van Weele and Rozemeijer, 1999)

In addition to van Weele and Rozemeijer (1999), several researchers (e.g. Caniëls and Gelderman, 2005; Caniëls and Gelderman, 2007; Dubois and Pedersen, 2002; Gelderman and van Weele, 2002; Olsen and Ellram, 1997) have studied collaborative relationships and/or power relations in the purchasing portfolio context. Dubois and Pedersen (2002) have studied how the relationships between buyers and suppliers are dealt with in the purchasing portfolio models and in research made in the field of the industrial network approach. Caniëls and Gelderman (2005), who have also studied the power positions from the purchasing portfolio perspective, have stated that power and mutual dependence are closely related concepts, and the buyer's dependence on the supplier is a source of power for the supplier, and vice versa. Furthermore, Caniëls and Gelderman (2005 and 2007) have claimed that in leverage items the buyer has the power and dominance over the supplier, whereas in bottleneck items the supplier has the power and dominance over the buyer. The notions of Caniëls and Gelderman are similar to those made by van Weele and Rozemeijer (1999).

Doran, Thomas and Caldwell (2005) have stated that the power of the buyer or supplier is influenced by market conditions. For example, the buyer is likely to procure from the open market when there are many suppliers in the market and the product is standardized. Conversely, when both the buyer and supplier regard the relationship as important, the relationship is likely to be strategic rather than market-oriented. According to Sinclair et al. (1996), the buyers seek closer relationships with their suppliers when (i) business is of high value, (ii) the business need is based on common technology, (iii) product specifications are bespoke, (iv) firms are culturally aligned, and (v) relationships have had time to become established. Even if buyers and suppliers form collaborative relationships in different situations, the ultimate goal for both of them is the same: they both try to achieve more

efficient and successful operation and ensure their competitiveness in the highly demanding business environment.

Power relations and collaboration in the Finnish food industry

Research method and data collection

According to Yin (2003), a case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between the phenomenon and context are not evident and multiple sources of evidence are used. In case research, the different aspects of a case are understood in relation to one another in a coherent whole or configuration, rather than modular assemblages of variables (Dubois and Araujo, 2007). In this empirical study the qualitative case study method is used. The main argument for the case study research method (see Yin, 2003) here is that the research problem is complex in its nature because it includes many variables and concepts which are not easy to grasp with a quantitative study. Furthermore, because the empirical research context is a contemporary event, it leads to multiple sources of evidence, like interviews, introductory and informative sessions in the case companies and the use of company-specific documentation.

Multiple sources of evidence can be used to increase the validity of the study (Yin, 2003). This case study is a result of interviews, and thus the data is mainly qualitative. However, the qualitative data was validated by using quantitative data which was gathered from a database that includes company information. The data concerning the amount of sales and purchases of the case companies was also utilized. The data concerning the amount of sales and purchases and company information were used as a secondary data while the data collected with the interviews was the primary data. The primary empirical data was collected with 29 semi-structured interviews conducted with the case companies' personnel. Research informants were selected and interviewed on the basis of their active involvement in the buyer-supplier relationships and for example supply managers, CEOs and buyers were interviewed. The questions concerned power positions, sources of power, relationships, the roles and capabilities of the actors, information sharing and the structure of the Finnish food industry. During the interviews notes were taken and the interviews were taped. The recordings were transcribed and the transcriptions contained altogether 375 pages. The resulting qualitative data was coded and the data was analyzed with content analysis and classification. Coding and analysis were done manually by one researcher. After the data was analyzed, it was compared to the theoretical framework and interfaces were searched.

The descriptions of the case companies and the research context

This case study discusses the power relations and the collaborative relationships between buyers and suppliers in a certain Finnish food industry value net. The case value net is composed of several actors, and the four main actors, representing different nodes of the value net, are the case companies of this study. The case companies are a manufacturer company, two supplier companies, and a retailer in the role of a customer company, and they are all significant actors in the Finnish food sector. There are several value nets in the Finnish food industry, and the case value net of this study represents a value net that is remarkable in the context of the whole industry. The case companies of this study form a value net which ranges from raw materials and packaging materials all the way to the end customers through the grocery stores.

The manufacturer company is one of Finland's leading food manufacturers and a market leader in many of its operational areas. Its product categories include many kinds of ready prepared foods and different meat products. Its main market area is Finland and a considerable part of its raw materials comes from Finnish suppliers. Supplier company A is a supplier both to the manufacturer and the retailer. The manufacturer purchases both basic and customized raw materials from supplier A and

the retailer purchases end products from it. Supplier A, which is a market leader in pasta products in Finland, also sells and manufactures, for example, flour, flakes and deep-frozen pastry. Supplier company B, on the other hand, has indispensable know-how in food packaging, and it is the supplier of packaging materials to the manufacturer. It offers and manufactures different kinds of packaging solutions for its customer companies. The retailer, which is in the role of a customer company in this value net, is the biggest case company when measured with its turnover and the number of employees. In Finland there are only four main retail specialists and the retailer of this study is one of those. More particularly, the retailer of this study has only one major competitor in Finland because the other two retail specialists are much smaller. The stores of this retail specialist form the most comprehensive store network in Finland.

The Finnish food industry has been subject to massive transformations driven by changes in the business environment as well as the technologies used within the industry. From having been fairly protected and isolated (mainly because of its geographical position) it is today facing the challenges of globalization and increased competition. (Brännback and Wiklund, 2001) The Finnish food industry is also facing new challenges, like company mergers, changes in consumer preferences, and requirements for increased efficiency, which create pressures for the companies. The structure of the Finnish food sector creates pressures and challenges for the companies as well. The Finnish food sector is characterized by the limited number of large players as well as numerous small and medium-sized companies. The Finnish grocery retail market is characterized by the centralization of the market, and there are only few retail specialists that are remarkably dominating the market with their significant buying volumes.

The food industry also has several specific features which create special demands for the business. Product development and innovativeness are required because customer preferences are constantly changing and becoming more demanding. The Finnish food culture is unique, and it is worth noting that Finnish people prefer domestic rather than overseas products and raw materials. Of the raw material used by the Finnish food industry 85 per cent is domestic, and the market share of Finnish food products in Finland is 83 per cent (Finnish Food and Drink Industries' Federation, 2008). This creates challenges for the food industry companies' supply management as well. Companies are also facing logistical challenges because the distances in Finland are significant. Some of the industry's products are easily perishable and the logistic processes are required to be effective and reliable. Even if the country's isolated geographic position creates its own challenges, the Northern position brings also some benefits. Long summer days with their bright nights accelerate the growth of plants and give them a better taste, and the cold winter, on the other hand, prevents plant diseases and pests from spreading (Finnish Food and Drink Industries' Federation, 2008). The food industry is a very traditional industry in Finland and, even if the country is innovative in food research and development, customs are respected and the Finnish culinary traditions are maintained.

The roles and capabilities of the value net actors

The main actors of the case value net are the manufacturer, the retailer and two supplier companies. In this Finnish food industry value net, suppliers A and B are always in the role of a supplier. The retailer, on the other hand, is always in the role of a buyer. It is in the role of a supplier only when it sells end products to the end customers. In the case value net the manufacturer is the actor that is both in the roles of a buyer and supplier. It is a buyer when it purchases raw materials and packaging materials from suppliers A and B and a supplier when it sells its end products to the retailer. The roles of the value net actors are defined on the basis of their exchange relationships to each other. The case companies have different competencies and capabilities which are complementary to each other. The case companies offer their core competencies and capabilities which are relevant to this value net and utilize the capabilities of other value net actors. Through these complementary competencies, resources and capabilities, unique value is created when the capabilities are combined to create the output of the network.

The retailer has many resources and capabilities which are relevant and significant to the value net. It has extensive knowledge about the selection and customer preferences and knowledge about purchase and market prices. The most important resource of the retailer is, however, the control it has over the distribution channel. The retailer has the control of and knowledge about the distribution channel, and therefore the other value net actors are dependent on it. The other actors in this value net regard the power position of the retailer as predominant. The retailer's power stems from its market power, its size (when measured with the turnover or with the number of employees), the amount of its purchases and its resources. Even though the power position of the retailer is remarkable, the strong net of suppliers and the suppliers' specific core capabilities and well-known brands, however, decrease its power.

The manufacturer has many capabilities and resources that are essential to the case value net. The manufacturer has indispensable knowledge about fresh ready prepared food and a long history and traditions. The manufacturer has a very strong and well-known brand which is a remarkable power source for the company. Furthermore, it has marketing and manufacturing capabilities and active product development. The supplier companies also have resources and capabilities that are relevant to the network. Supplier company A has manufacturing resources and capabilities and product development capabilities. It has also a very strong and well-known brand. Supplier company B has extensive knowledge about packaging and packaging materials. The company is very innovative in product development and offers high quality products.

Power relations and their influence on the depth of collaboration

In the Finnish food industry value net, the power position of the retailer is very significant. The power of the retailer mainly stems from its market power but it is also a much bigger company than the other case companies and has remarkable buying volumes. The retailer's turnover is ten times bigger than that of the manufacturer and a hundred times bigger than that of supplier A. The amount of the retailer's purchases from the manufacturer and supplier A are significant from the supplier's perspective but minor from the retailer's viewpoint. The retailer's purchases from the manufacturer are only a few per cent of the retailer's turnover, whilst the manufacturer's sales to the retailer are one quarter of the manufacturer's turnover. Furthermore, the retailer's purchases from supplier A are less than one per cent of the retailer's turnover, whilst supplier A's sales to the retailer are one fifth of the supplier's turnover. Because of these remarkable sales numbers the manufacturer and supplier A are dependent on the retailer and its buying volume.

The power relations between the manufacturer and the supplier companies cannot be distinctly defined. The suppliers have power over the manufacturer in the case of bottleneck items, namely, when the manufacturer does not have substitutive suppliers. In the case of leverage items, namely, when the buyer has many alternative suppliers and substitutes, the suppliers are more dependent on the manufacturer. However, there are also other factors that influence power relations between the manufacturer and its suppliers. For example, information exchange affects the power relations between the case companies. The manufacturer is the gatekeeper of the information flow between the suppliers and the retailer. The retailer distributes some information to the manufacturer e.g. concerning consumer buying behavior, but the manufacturer does not share this information further. The manufacturer increases its market knowledge by keeping the information to itself. Thus, especially supplier A is to some extent dependent on the manufacturer's consumer knowledge.

The amount of purchases and sales can also be utilized when defining power relations between the manufacturer and its suppliers. The manufacturer's purchases from supplier A are minor (under half per cent) when compared to the manufacturer's turnover. Furthermore, supplier company A's sales to the manufacturer are approximately only one per cent of the supplier's turnover. The amounts of purchases and sales between the manufacturer and supplier A are not quantitatively significant when

compared to the companies' turnover, but otherwise the companies are important business partners to each other. This same observation can be made when the manufacturer's purchases from supplier B are compared to the manufacturer's turnover. The manufacturer's purchases from supplier B are less than one per cent when compared to the manufacturer's turnover. However, supplier B is an important supplier to the manufacturer because the manufacturer's purchases from supplier B are much bigger than its purchases from supplier B's competitors. It has to be noted, that supplier B and supplier A do not have an exchange relationship at the moment and they are not competitors. Furthermore, supplier B does not have an exchange relationship with the retailer because it does not supply anything directly to the retailer; it only supplies to the manufacturer who supplies to the retailer. Thereby, supplier B is not dependent on the retailer like the manufacturer and supplier A are.

Because these case companies form a value net, it is obvious that there are collaborative relationships between them. However, collaborative relationships require long-term commitment, the relationship must be based on mutual trust and information must be shared openly. Some of the case companies are not willing to share information openly, and trust, commitment and transparency are inadequate in some of the relationships between the value net actors. Therefore, the relationships between some of the actors are not deep enough to be called collaborative.

The relationship between the retailer and the manufacturer has a long history and they both conceive each other as important partners. Both of the companies have categorized their relationship as a strategic partnership. However, trust-based collaboration, open information sharing and joint development are still quite shallow in nature. The retailer is reluctant to share its market knowledge and it uses its information to increase its power. Because the manufacturer has a strong and well-known brand and indispensable products, the retailer is at some level forced to purchase end products from the manufacturer if it wants to include these products into its grocery stores' product portfolio. The retailer does not have a substitutive supplier for all of the manufacturer's products. The manufacturer, on the other hand, is forced to sell its products to the retailer because of the retailer's dominating role and position as one of the biggest retail specialists in the Finnish food market. Both the retailer and the manufacturer could gain massive benefits if the relationship between them would be developed further. The manufacturer is more willing to develop the relationship, but the retailer is quite satisfied with the situation. The retailer wants to keep its dominating power position and therefore, the power imbalance between these actors prevents deeper collaboration.

Collaboration is also lacking in the relationship between the retailer and supplier company A. The relationship between them to a great extent represents a pure arm's length relationship which is based on a competitive strategy. The information exchanged mostly concerns only the price issues, and in the negotiations the retailer uses its power. Supplier A is dependent on the retailer because of the retailer's large buying volumes and its dominating role and power position in the Finnish food market. The only source of power that supplier A has towards the retailer is its well-known brand. However, the retailer has some alternative suppliers and, especially in some of the supplier A's basic products (e.g. flour and pasta), the retailer has a very strong negotiation power towards supplier A. The retailer also wants to keep its predominant power position in this relationship and does not see supplier A as a possible partner for strategic collaboration.

Supplier A has a more collaborative relationship with the manufacturer than it has with the retailer. The manufacturer does not have so predominant power position towards supplier A than the retailer does. Even though the manufacturer is at some level dominating the relationship, supplier A is not dependent on the manufacturer, and the manufacturer also wants to have a collaborative relationship with the supplier. The supplier's ingredients are significant for the manufacturer's products, and it benefits both actors if the supplier's ingredients are suitable for the manufacturer's products. However, for some reason the manufacturer is not very willing to allow the supplier to be part of their product development. The manufacturer dominates supplier A, for example, by limiting the information shared with supplier A. The manufacturer is reluctant to share with supplier A any other

information than is necessary for transactions, although the supplier would like to do more intensive collaboration. The manufacturer fears that supplier A will reveal the information to its other buyers which may be the competitors of the manufacturer. Therefore, information is not shared openly and the manufacturer uses its knowledge as a source of power. This prevents deeper collaboration.

Even if the manufacturer has power over supplier A, the supplier is not dependent on the manufacturer because its sales to the manufacturer are very minor when compared to the supplier's turnover. Thereby, supplier A is not highly dependent on the manufacturer's purchases but the manufacturer has at some level power over the supplier because there are not so many manufacturers of ready-made meals but several suppliers of the raw materials in question. Because the manufacturer does not have a very strong power position in this relationship and because supplier A is not dependent on the manufacturer and the relationship is also important for the manufacturer, there is some collaboration between them. However, the collaboration is not very intensive and information is not shared openly enough. Supplier A is willing to develop the relationship further and to commit to more deeper and intensive collaboration, but the manufacturer is more reluctant to do so. However, it has to be highlighted that this relationship requires developing and both actors could gain benefits if the collaboration was developed. This relationship has a good possibility to become an intensive collaborative relationship and therefore, both of the actors should aim at deeper collaboration.

Figure 2 shows that in the relationship between the manufacturer and supplier B the actors are in balanced power positions. The manufacturer has alternative suppliers, the supplier has alternative buyers and the actors are not dependent on each other. The relationship is nevertheless significant for both of them. The actors are collaborating and they have joint projects, for example, in product development. It is important for the manufacturer that the supplier's products (packaging materials and solutions) are suitable for its needs. Therefore, the price is not a primary issue when the manufacturer is making contracts with suppliers offering materials in question. The actors share information which enables joint development and collaboration. Because the actors' power positions are in balance they do not have the opportunity to dominate, and because the relationship is significant for both of the actors, they are willing to collaborate.

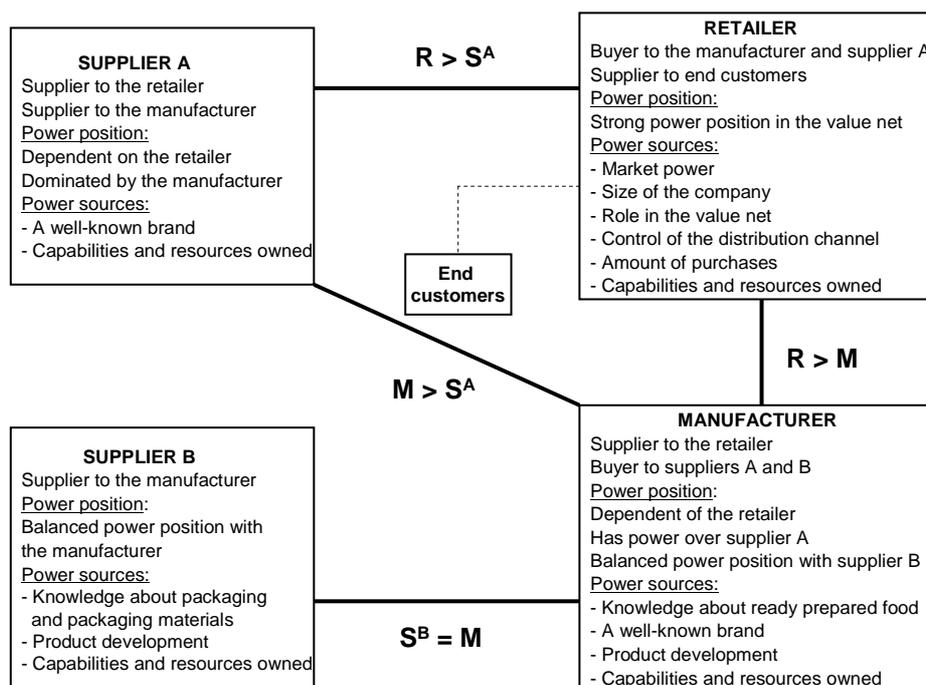


Figure 2. The power relations in the Finnish food industry value net.

As Figure 2 illustrates, the actors who are in the roles of a buyer are in dominating power positions in the case value net. The only relationship where the buyer and the supplier are in balanced power positions ($=$) is between supplier B (S^B) and the manufacturer (M). As mentioned earlier, the manufacturer has at some level power over supplier A (S^A) and this relationship is characterized by buyer dominance ($>$). Buyer dominance is evident in the relationships between the retailer (R) and the manufacturer and between the retailer and supplier A. It can be argued that in the case value net the buyers have power over the suppliers and the buyers are more or less dominating their suppliers.

In the case value net the actors have different power relations and the depth of collaboration varies. When the partners or actors are not in equal situations it has implications to the collaboration of the value net. In the case value net, the actors who are in the role of a supplier are very willing to form collaborative relationships, but when they are in the role of a buyer the willingness to commit themselves to collaborative relationships decreases. Due to this, the possibility to create value and to achieve competitive advantage through collaboration is not utilized efficiently enough. In the long run this affects the competitiveness and effectiveness of the value net. The value net actors should recognize the benefits of collaboration and develop their relationships further. They cannot try to gain benefits only for themselves, but the whole value net should be considered. Therefore, the buyer should always consider issues from the supplier's point of view, and vice versa. This is the prerequisite for collaboration and the success of the value net.

Conclusions

This study discussed the power relations and collaboration in the value net context and analyzed how power influences the depth of collaboration between a buyer and a supplier in value nets. The theoretical basis for the study was created by utilizing the industrial network approach and the strategic value net approach. As a result of the theoretical study, a framework which contains the relations between some of the value net components (e.g. actors' roles, capabilities, power positions and collaboration) was presented. The purpose of the theoretical framework was to create a basis for the analysis of the case study that examined power relations and collaboration in the Finnish food industry value net.

When the findings of the empirical study were analyzed and compared to the theoretical study, similarities were found. The findings from the literature also found evidence in the empirical study. The results of the study indicate that the power positions of the value net actors affect the relationships and especially the forms of the relationships in the value net. The study shows that power influences the depth of collaboration between a buyer and a supplier and indicates that if the actors do not have balanced power positions the collaboration is scarce and shallow. Furthermore, when one actor has power and uses its power to dominate the other, this predominant actor does not have incentives for collaboration. If the actors have balanced power positions or their power positions are close to each other, the actors have good basis for collaboration. The case study from the Finnish food industry indicates that the value net actors who are in the role of a supplier are willing to form collaborative relationships but when they are in the role of a buyer the willingness to commit to collaboration decreases. In the case value net the actors who are in the buyer role are dominating the actors who are in the role of a supplier. Therefore, the buyers are in dominating power positions related to their suppliers, and profound collaboration between the actors is scarce.

Many researchers have noticed that in the food industry there is a high level of retailer concentration and the retailers are dominating the business of the industry. Collins and Burt (1999), Hingley and Hollingsworth (2003), Ogbonna and Wilkinson (1996) and Robson and Rawnsley (2001) have explored power relations in the food industry in the UK and Ireland, and they have noticed that the power is held by the retailers. The case study of this research indicates that also in the Finnish food industry the retailers are dominating the market and they have dominating power positions in the relationships.

The objective of this study was to analyze how power influences the depth of collaboration, and therefore, this study described the buyer-supplier relationships in the value nets. To the author's knowledge there are no existing studies where studies on power relations and collaboration are combined and discussed from the value net perspective. Furthermore, these issues are rarely examined in the context of the food industry. Thereby, this study contributes to research conducted in the field of supply management but it also contributes to value net research and to the research concerning power relations and the business of the food industries.

Further research should be directed especially towards value creation and collaboration in value nets. It would be interesting to study the value creation enabled by collaboration between the value net actors and the role of capabilities in value creation in the value nets. The role of collaboration and capabilities in value creation should be studied, because efficient value creation is enabled through collaboration and by combining the actors' complementary capabilities. Further research should also be directed towards comparable studies of value nets in other fields. It is important to find out whether power relations have the same dynamics in other industries as well.

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