Inter-organisational supplier development: the case of customer attractiveness and strategic fit

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Abstract

Purpose – This paper aims to investigate the concept of inter-organisational supplier development programs and to stress the importance of considering suppliers’ interest and motivation when implementing development initiatives.

Design/methodology/approach – This paper’s theoretical framework is based on an in-depth literature review that analyses how extant supplier development literature considers an inter-organisational approach. A single case study of eight inter-organisational relationships is also included.

Findings – The literature review reveals a lack of focus on inter-organisational approaches to supplier development, even though the literature mentions it as a missing theme. Customer attractiveness is presented as one approach that takes supplier view and motivation into consideration. This idea is supported by the case study, which indicates that supplier performance is influenced by perceived customer attractiveness.

Research limitations/implications – This paper is based on only a single case study and does not provide the basis for statistical generalisation. A theory on customer attractiveness is under development, and the analysis presented here is based on the theoretical findings.

Practical implications – Because suppliers can have their own strategic agendas, such as prioritising developments with the most attractive customers, buyers should consider suppliers’ perspectives and motivations when analysing and implementing supplier development programs.

Originality/value – This paper is among the first to focus on the importance of viewing both parties’ interest in a buyer-supplier relationship when implementing supplier development initiatives. The concept of customer attractiveness as an inter-organisational approach represents a valuable addition to supplier development literature.

Keywords Supply chain management, Inter-organisational supplier development, Customer attractiveness, Supplier commitment, Supplier motivation, Suppliers, Customers

Paper type Research paper

1. Introduction

Because suppliers play an increasingly crucial role in contributing to the competitiveness of the buying firm, the relationship between buyer and supplier is of vital importance (Narasimhan and Talluri, 2009). Managing supplier relationships to create an efficient supply chain can enhance the buying firm’s competitiveness and performance against other supply chains (Shapiro, 1985; Lamming, 1993; Håkansson and Snehota, 1997; Cox, 1999; Narasimhan et al., 2008). Supplier development programs as a means of enhancing the capabilities and performance of suppliers is a key concept in the supply chain management literature (Krause and Ellram, 1997a; Håkansson and Snehota, 1997; Christiansen and Maltz, 2002; Mortensen et al., 2008). However, such supplier development programs are typically designed from the buying firm’s perspective and focus on improving the short-range capabilities of the suppliers instead of focusing on the improvement of the suppliers’ long-term capabilities (Hahn et al., 1990; Monczka et al., 1998; Watts et al., 1995; Krause and Ellram, 1997a). Solely from the buyer’s perspective on supplier development, the supplier might appear to be explicitly motivated by and willing to adapt and implement supplier development activities imposed on it by the buying firm (Olsen and Ellram, 1997; Rozemeijer et al., 2008; Ellegaard and Ritter, 2006). However, suppliers also may have articulated intrinsic motivations for joint development activities (Monczka et al., 2005, p. 288; Cousins et al., 2008, p. 215).

A number of recent theoretical contributions emphasise that buying firms also need to consider the interest and motivation of the supplier in order to ensure that the supplier is willing to implement the development activity (Christiansen and Maltz, 2002; Ellegaard et al., 2003; Ellegaard and Ritter, 2006; Hald et al., 2009; Ramsay and Wagner, 2009; Schiele and Krummaker, 2011). In fact, the buyer can benefit by looking at supplier development programs from an inter-organisational perspective wherein both parties’ perspectives and interests are considered (Christiansen and Maltz, 2002; Ellegaard and Ritter, 2006). An inter-organisational perspective indicates that content, process, and structure are developed from a dyadic perspective.

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The importance of an inter-organisational approach is emphasised by the range of partly independent suppliers, many with their own strategic agendas (which can include development and resource allocation toward the most valuable and attractive customers or toward the customer that offers the greatest strategic fit) (Koza and Lewin, 1998; Peck and Jütten, 2000; Ellegaard et al., 2003; Wilkinson et al., 2005; Ellegaard and Ritter, 2006; Rozemeijer et al., 2008; Mortensen et al., 2008; Hald et al., 2009). The buying firm most capable of understanding and integrating supplier perspective into development initiatives will have the best ability to influence and motivate the supplier through development activities, thereby maximising the performance and value potential of the relationship (Ellegaard et al., 2003; Ellegaard and Ritter, 2006; Rozemeijer et al., 2008; Mortensen et al., 2008; Ramsay and Wagner, 2009; Schiele and Krummacker, 2011).

This paper explores how firms can focus on supplier motivation regarding inter-organisational supplier development. The paper will mainly focus on the role and concept of customer attractiveness within supply chain and relationship management theory, as opposed to the idea of using only force and power (Cox, 1999; Cox, 2001; Ellegaard et al., 2003; Ellegaard and Ritter, 2006; Mortensen et al., 2008; Ramsay and Wagner, 2009; Schiele and Krummacker, 2011). Customer attractiveness focuses developing suppliers' voluntary actions by understanding and including the suppliers' perspective into the buyer's supply development management task (Ellegaard and Ritter, 2006, 2007; Hald et al., 2009). By focusing on customer attractiveness, the buyer can encourage suppliers by showing suppliers that their ideas and needs are being considered (Ramsay and Wagner, 2009). The paper also will focus on the influence of strategic fit between buyer and supplier. Strategic fit can affect a supplier's perception of customer attractiveness (Lambert et al., 1996; Peck and Jütten, 2000; Wilkinson et al., 2005; Mortensen et al., 2008). An inter-organisational supply chain focus is important because it seems to influence supplier performance and loyalty toward the customers who are perceived as attractive (Ramsay and Wagner, 2009). This paper seeks to answer the following two research questions:

RQ1. How is an inter-organisational perspective on supplier development considered in extant literature?
RQ2. How can customer attractiveness influence and contribute to supplier development?

The paper is further organised into five sections. The first section discusses the methods used in the paper. The next section includes a literature review on supplier development. The third section provides a discussion of inter-organisational supplier development including a motivational approach of customer attractiveness and the influence of strategic fit between the supplier and the buyer. The fourth section analyses and discusses the case study data from the case company and eight of their suppliers. The final section concludes with the paper's research questions.

2. Literature review on supplier development

The search for articles was completed in EBSCO (Academic Search Premier and Business Source Complete) and Science Direct Research databases for papers including “supplier development” in their title or abstract. Searches also were conducted in publisher databases such as Emerald, Wiley, Palgrave, and Taylor & Francis. Papers that include the search terms in the abstract but are not basically concerned with supplier development have been excluded for further analysis (e.g. Carr et al., 2008; Matook et al., 2009).

2.1 Supplier development

The term "supplier development" found its first application in the academic literature by Leenders (1966) as a means by which manufacturers can increase the number of qualified suppliers and as a way to improve supplier performance. Over time, supplier development programs have had a major influence on overall supply chain performance (Handfield et al., 2000; Humphreys et al., 2004). Krause et al. (1998) see label supplier development as any activity that a buying firm initiates in order to improve supplier performance.

According to Krause and Ellram (1997a), Sánchez-Rodríguez et al. (2005), and Li et al. (2007), supplier development activities can be summarised as:

- introduction of competition to the supply base;
- supplier evaluation for further development;
- supplier certification;
- elevation of performance expectations/goals;
- recognition and rewards;
- promise of future benefits;
- training and education of suppliers’ staff;
- direct investment in the supplier by the buying firm;
- exchange of personnel between buyer and supplier organisations;
- supplier plant visits;
- intensive information exchange with suppliers;
- collaboration with suppliers in the improvement of materials and development of new materials; and
- involvement of suppliers in the buyer's new product development process.

As discussed in the Introduction, existing literature on supplier development is mainly concerned with the buyer’s perspective and assumes that the buyer can enforce this development on the suppliers. Moreover, the literature assumes implicitly that the supplier is explicitly willing and motivated to participate in and implement supplier development activities.

This section provides a review of the existing literature on supplier development. As shown in Table I, each contribution is structured and divided into one of the following six groups:

1. antecedents to supplier development;
2. barriers and success factors for supplier development;
3. the process of supplier development;
4. performance outcome of supplier development;
5. knowledge transfer/communication in supplier development; and
6. modelling supplier development.

This division is based on the judgment of the main contribution. The six groups are discussed below.

2.2 Antecedents to supplier development

A part of the literature on supplier development addresses the activities before supplier development takes place – the antecedents. The study by Krause (1999) identifies several antecedent factors:

- a competitive market influences buying firms to manage their suppliers from a strategic perspective;
### Table I Supplier development papers identified in the literature review

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<th>Theme</th>
<th>Method</th>
<th>Inter-organisational approach</th>
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**Performance outcomes of supplier development**


(continued)
when top management recognises the purchasing function as an important source for competitive advantages, the firm is likely to take a strategic perspective toward suppliers and thus investments in the firm's supplier development resources in will be supported; firms that view purchased inputs as important are more likely to manage suppliers from a strategic perspective; buying firms considering their suppliers as virtual extensions of themselves interact in a manner that increases the supplier commitment to the buying firm; some level of supplier commitment to the relationship must exist before the supplier development investment takes place; and inter-firm communication is an important prerequisite to supplier development efforts.

2.3 Success factors and barriers for supplier development
Supplier development literature addresses the subject of success factors and barriers for supplier development. Krause and Ellram (1997a) found success factors for supplier development to be formal evaluation, feedback of evaluation results to the supplier, use of a supplier certification program, site visits to the supplier, visits to the buying firms, supplier recognition, training and education, and investment in the supplier's operational and communication skills (timeliness, frequency, and informal, multiple contact points between the buyer and seller).

According to Krause and Ellram (1997b), critical elements in supplier development are:

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<th>Theme</th>
<th>Method</th>
<th>Inter-organisational approach</th>
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<tr>
<td>Knowledge transfer/communication in supplier development</td>
<td>Questionnaire-survey</td>
<td>No</td>
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<tr>
<td>Sako, M. (2004), ”Supplier development at Honda, Nissan and Toyota: comparative case studies of organizational capability enhancement”, Industrial and Corporate Change, Vol. 13 No. 2, pp. 281-308</td>
<td>Case studies</td>
<td>Yes</td>
</tr>
<tr>
<td>Modelling supplier development</td>
<td>Modelling</td>
<td>No</td>
</tr>
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that firms involved in supplier development also perceive their suppliers as partners;
that there is a greater emphasis on two-way multifunctional communication, top management commitment, and cross-functional teams; and
that the buyer accounts for a greater percentage of the supplier’s annual sales.

Research also has been conducted to identify the barriers to supplier development. Lascelles and Dale (1991) identified such barriers as poor communication and feedback, supplier complacency, misguided supplier improvement objectives, lack of customer credibility, and misconceptions of the term “purchasing power”. This list is supplemented by the pitfalls described by Handfield et al. (2000) as lack of supplier commitment, insufficient supplier resources, lack of trust, poor alignment of organisational cultures, and insufficient inducements to the supplier. A final barrier, here included beyond the results of the specific search on supplier development, may be power (Cox et al., 2004; Ramsay, 1996).

2.4 The process of supplier development
The process of supplier development programs is a third theme of supplier development research. Hartley and Choi (1996) propose a process model consisting of five factors:
1. supplier’s top management commitment;
2. supplier’s team leadership;
3. capable joint-development team;
4. data driven changes; and
5. success of a model line.

Hartley and Jones (1997) describe the benefits and shortcomings of result-oriented supplier development and propose a process-oriented model aiming to help suppliers sustain and continue their change process. The steps of the model are:
- to assess the supplier’s readiness for change;
- to build commitment through collaboration;
- to implement systemwide changes; and
- to transform the supplier’s organisation.

Krause et al. (1998) discuss a reactive approach to supplier development versus a strategic approach. The reactive approach focuses on a supplier whose performance threatens the buying firm’s ability to provide competitive products or service to its own customers. A strategic approach consists of the allocation of resources to supplier development in the areas that will provide competitive advantages. Rogers et al. (2007) analyse two competing views of supplier development programs based on the logic of rational efficiency and the logic of institutional symbolism, respectively.

2.5 Performance outcomes of supplier development
Yet another part of the supplier development literature is concerned with performance outcomes. Wen-Li et al. (2003) found a significantly positive relationship between supplier development strength and purchasing performance. Krause (1997) found a reduction of incoming defects, improved percentages of on-time delivery, reduced cycle time, and improved percentage of complete orders received due to supplier development activities. De Toni and Nassimbeni (2000) found – based on an empirical analysis – a positive relationship between operational supplier development, just-in-time practice, and plant performance.

2.6 Knowledge transfer/communication in supplier development
Supplier development literature also is concerned with the importance of knowledge transfer and communication in buyer-supplier relationships. Carr and Kaynak (2007) found that traditional communication methods (face-to-face) are positively related to the extent to which information is shared. Information sharing within a firm is directly related to both information sharing between firms and supplier development support. Krause et al. (2007) introduce a social capital theory to supplier development that provides insights into different dimensions of social capital as they pertain to relationships between buyers and suppliers.

2.7 Modelling supplier development
A final collection of supplier development literature is focused on modelling supplier development effects. Narasimhan et al. (2008) develop, for example, mathematical multi-attribute models for developing effective quoting strategies from the supplier’s perspective. Talluri et al. (2010) present a set of optimisation models that addresses the optimal allocation of investments among multiple suppliers to minimise risk while maintaining an acceptable level of return.

2.8 Discussion and summary of the literature review
The literature review reveals that research in supplier development is predominantly based on questionnaire survey methods. The review of extant literature on supplier development reveals a limited number of contributions applying an inter-organisational approach to supplier development. The review has identified several demands in this direction.

Krause (1997) demands research examining supplier development from the perspective of the suppliers, for example through dyadic studies of buyer-supplier relationships, and emphasises the importance of including the supplier perspective (Krause, 1999; Krause et al., 1998; Wagner and Krause, 2009). Krause (1999) also emphasises that an antecedent to supplier development is that the buying firm considers its suppliers a virtual extension of its own firm in a manner that increases the supplier commitment toward the buying firm. Moreover, Krause (1999) mentions inter-firm communication as an important prerequisite to the supplier development effort (Krause, 1999). Humphreys et al. (2004) call for research that views the supplier development from the perspective of the vendors on measures for strategic objectives and performance improvements and mention this as an important element to consider.

Some authors suggest that supplier commitment and a level of inter-firm communication are seen as antecedents to supplier development. Krause and Ellram (1997b) emphasise that the success factors for supplier development include buyers perceiving their suppliers as partners. Moreover, Krause and Ellram (1997b) see top management commitment along with supplier recognition, investment in the suppliers’ operations, communication skills, and secure multiple contact points between the buyer and seller as success factors (Krause and Ellram, 1997a). This is further emphasised by Handfield et al. (2000), who mention supplier commitment, trust, and alignment of organisational cultures.
as critical success factors in supplier development, which is
also considered by Hartley and Choi (1996). This list is
supplemented by the pitfalls of supplier development
described by Handfield et al. (2000) as lack of supplier
commitment, insufficient supplier resources, lack of trust,
poor alignment of organisational cultures, and insufficient
inducements to the supplier.

Finally, Wouters et al. (2007) recognise that their supplier
development study is limited because it only reports on the
buyer’s perspective, indicating that the suppliers also need to be
included in future research which is in accordance with the
dyadic research of this paper.

3. Methods
This paper draws on a single explorative case study with eight
multiple units of analysis. A case study is an empirical inquiry
that investigates a contemporary phenomenon within its real-
life context, especially when the boundaries between
phenomenon and context are not clearly evident (Yin, 2009).
The case study approach is a theory-building approach that is deeply embedded in rich empirical data
that makes it possible to develop theory that is accurate,
interesting, and testable (Eisenhardt and Graebner, 2007).
The specific methods used in the data collection are described
further in the following two sub-sections.

3.1 Single case study design
The choice of method is closely related to the type of research
questions (Yin, 2009; Handfield and Melnyk, 1998; Ellram,
1996). Selecting methods without attention to their implicit
assumptions and coherence with theoretical aims risks
incoherent conclusions or falling into the trap of brute
empiricism (Dubois and Araujo, 2007). Case studies can be
used to fulfil different purposes such as to explore, to
describe, to explain, and to predict (Yin, 2009; Ellram, 1996).
A qualitative and exploratory research design was undertaken
in order to analyse supplier development from an inter-
organisational perspective. According to Seuring (2008),
research in supply chain management based on the case study
method lacks information about the research process (e.g.
how data are analysed and how rigor of the research is
ensured). In order to avoid such limits, four important
elements in case study research will be described in further
detail:
1 sampling criteria;
2 data collection;
3 data processing; and
4 judging criteria.

3.2 Sampling criteria
The case company was selected because this firm has
implemented an inter-organisational supplier development
program called “The Supplier Loyalty Program”, launched
toward 110 strategic suppliers in 2007/2008 (see Appendix
1). The case company’s practice constitutes a revelatory case
wherein the investigator has the opportunity to observe and
analyse the phenomenon so far inaccessible to scientific
investigation (Yin, 2009; Seuring, 2008). The unique element
is comprised by the possibility to study the phenomenon in an
inter-organisational setting. Eight of the 110 suppliers were
selected for interview. The sampling strategy by which the
eight suppliers were selected was made on the basis of the
company’s internal ranking in relation to the suppliers’ loyalty
and performance. The authors selected the four highest and
the four lowest scoring suppliers out of the 110 strategic
suppliers in the evaluation of performance and loyalty.
Internal staff and staff at the eight suppliers selected for
interview were those responsible for implementing the
supplier loyalty program.

3.3 Data collection
This paper is based on both primary and secondary data.
Primary data were developed by conducting semi-structured
interviews internally in the case company and externally with
eight suppliers in Denmark, the UK, Spain, Benelux, and
Vietnam. Face-to-face interviews were carried out with vice
presidents responsible for the supply chain and the
responsible project manager for the supplier loyalty program
internally in the case company. The strategic purchasers and
the suppliers received a questionnaire (see Appendix 2) before
the semi-structured interview and were informed about the
background and focus of the research. First, the strategic
purchasers from the case company were interviewed, and then
the strategic suppliers. The interviewees from the strategic
suppliers were informed about the study and told that their
answers would not be shared with the strategic purchasers.
The framework of customer attractiveness and strategic fit
defined by Harris et al. (2003), Lambert et al. (1996) and
Wilkinson et al. (2005) built the foundation for the questions
asked internally at the case company and externally at the
suppliers. Secondary data consist of data from the case
company’s supplier loyalty program (see Appendix 1).

3.4 Data processing
All interviews were taped, transcribed, and subsequently
analysed and are presented in a cross analysis following the
terms of “editing” (Crabtree and Miller, 1992; Yin, 2009).
The main conclusions were presented to the responsible
supply chain managers and selected managers (vice presidents
and senior vice presidents) within the supply chain internally
in the case company. Minutes of the individual interviews
were returned to the suppliers for validation. Email
correspondence has been used to follow up on acceptance
of data.

3.5 Judging criteria
Four criteria can be used to determine the validity of the
results presented on the basis of a single case study. Yin
(2009, pp. 41-5) mentions these as internal validity, external
validity, construct validity, and reliability. Internal validity is
not relevant in this piece of research since the research is
exploratory (Yin, 2009). External validity is concerned with
establishing the relevant domain in terms of generalising a
study’s findings. It is not a question of statistical
generalisation but of analytical generalisation. However, this
research is exploratory in nature and seeks to provide new
knowledge on supplier development based on an inter-
organisational approach. The data results are compared to
extent literature on supplier development. Construct validity
is a question of providing a set of measures for the concepts
being studied. What do we, for example, mean by supplier
development, customer attractiveness, and strategic fit? These
concepts have been clarified in separate sections in this paper.
Finally, reliability is a question of whether the study can be
replicated. Here, the case study protocol plays a central role and was developed containing the following sections:

- project outline;
- correspondence;
- interview guide (see Appendix 2);
- notes taken during telephone conversations;
- transcriptions of interviews;
- received secondary material/documents; and
- an overview and timetable of interviews conducted.

4. Inter-organisational supplier development

As described in the literature review section, a number of authors have emphasised the importance of including the suppliers’ perspective, motivation, and commitment in the supplier development initiatives (Hartley and Choi, 1996; Krause and Ellram, 1997a, b; Handfield et al., 2000; Wagner and Krause, 2009; Wouters et al., 2007). This paper will now focus on inter-organisational supplier development programs and introduce the concept of customer attractiveness as a motivational inter-organisational approach. Customer attractiveness has been used earlier as an explanatory element in portfolio management, marketing, key account management, and relationship management theory explaining the creation of motivation, commitment, and trust or as a word for the total value of a supplier or customer account (Yorke and Droussiots, 1994; McDonald et al., 1997; Olsen and Ellram, 1997; Harris et al., 2003; Caniels and Gelderman, 2005; Ellegaard et al., 2003; Cox et al., 2004; Ellegaard and Ritter, 2006, 2007; Hald et al., 2009; Mortensen et al., 2008). The above-mentioned literature on customer attractiveness includes the concept as an alternative management approach that may foster voluntary actions from the suppliers (Galt and Dale, 1991; Ellegaard and Ritter, 2006; Hald et al., 2009; Schiele and Krummacker, 2011). Ramsay and Wagner (2009) emphasise that it is important to contribute to the knowledge of how the buyer influences and motivates the behaviour of the supplier, avoiding “hard-hitting” negotiation or using power or threats of withdrawal of business in order to manage the suppliers. Ramsay and Wagner (2009) argue that in purchasing and supply management, it is important to increase understanding of suppliers’ needs, wants, and preferences, and to highlight the concept of customer attractiveness as a new idea that may contribute in this area (Ramsay and Wagner, 2009; Schiele and Krummacker, 2011).

4.1 Customer attractiveness as a motivational approach to supplier development programs

According to Ellegaard and Ritter (2006), customer attractiveness seems to form an inherent part of supplier development theory. Ellegaard and Ritter (2006) propose two areas in which customer attractiveness can be applied when supplier development is implemented. First, the buyer should not only facilitate and initiate the development activities, but also prepare and encourage the supplier to actively allocate and dedicate resources to this task (Ellegaard and Ritter, 2006). Second, the buyer must encourage and motivate suppliers to develop toward the buyers who initiate development initiatives and not just develop toward any given buyer’s needs (Ellegaard and Ritter, 2006; Yorke and Droussiots, 1994; Campbell and Cunningham, 1983). Ellegaard and Ritter (2006) find the inclusion of customer attractiveness important because the individual supplier is developing, adapting, and allocating its resources toward the most valuable and attractive buyer from its own strategic perspective. Customer attractiveness can affect the motivation of the suppliers and encourage them to implement the imposed development initiatives (Yorke and Droussiots, 1994; Ellegaard et al., 2003; Ellegaard and Ritter, 2006, 2007; Wilkinson et al., 2005; Mortensen et al., 2008; Ramsay and Wagner, 2009).

As customer attractiveness is based on the creation of voluntary motivation, the concept differs from the traditional approach of managing and developing supply chains by power whereby the buyer is able to force and dictate the supplier to do something that it would not otherwise do (Thorelli, 1986; Yorke and Droussiots, 1994; Cox, 1999, 2001; Jap and Ganesan, 2000; Caniels and Gelderman, 2005; Ellegaard and Ritter, 2006; Mortensen et al., 2008; Ramsay and Wagner, 2009). In spite of the potential of customer attractiveness, only a limited number of contributions covering this perspective seem to exist (Ramsay and Wagner, 2009).

4.2 A theoretical framework of customer attractiveness

Originally, the concept of attractiveness was a central part of social psychology and social exchange theory (Blau, 1964; Thibaut and Kelley, 1956; Scanzoni, 1979; Hald et al., 2009). Supply chain management and the supply development literature previously have been inspired by social psychology and social exchange theory, adopting concepts such as trust, and commitment and power (Krause, 1999; Handfield et al., 2000; Ellegaard and Ritter, 2006). However, the literature seems to have overlooked the concept of customer attractiveness, even though attractiveness can contribute to the explanation of the development of motivation and commitment and the allocation of resources between supplier and buyer – which the above literature review identified as essential missing links within the current supplier development literature (Hartley and Choi, 1996; Krause and Ellram, 1997a, b; Handfield et al., 2000; Wagner and Krause, 2009; Wouters et al., 2007; Ramsay and Wagner, 2009). Both the customer and the supplier may have a different perspective of their options and the structure of the business relationship, which is interesting in relation to attractiveness (Campbell and Cunningham, 1983; Yorke and Droussiots, 1994; Caniels and Gelderman, 2005).

Customer attractiveness and value creation are closely related concepts and value creation, unlike attractiveness, has taken up a central position in supplier development theory focusing on the value creation provided by the suppliers (Bowman and Ambrosini, 2000; O’Cass and Ngo, 2010). As Ellegaard and Ritter (2006) argue, however, the value creation within the current supplier development literature is controlled and viewed from the buyers’ perspective, which can de-motivate suppliers. Extant research on value also seems to perceive value as a static concept defined by the difference between gains and sacrifices relative to competition, which gives realised value (Bowman and Ambrosini, 2000). O’Cass and Ngo (2010) argue that each party perceives value differently, and the value offering has to be tailored to the counterpart (O’Cass and Ngo, 2010). Furthermore, O’Cass and Ngo (2010) argue that value creation has to be seen in a more dynamic perspective, including future value from both the customer and supplier perspective (O’Cass and Ngo, 2010). Attractiveness is not just...
formed by the present costs-rewards considerations but has a future orientation in relation to the expected future value creation and provides a considerably more nuanced perspective than the traditional value creation (Ellegaard et al., 2003; Harris et al., 2003; Hald et al., 2009). The level of attraction depends not only on the present costs and rewards but also on expectations of future attractiveness in the dyadic relationship between the supplier and the buyer (Harris et al., 2003; Ellegaard and Ritter, 2006; Ramsay and Wagner, 2009). Ellegaard and Ritter (2006) apply the value function by Walter et al. (2001) to explain the value creation from the supplier’s perspective. They argue that attractiveness contributed to the value creation approach by future expected value rather than only present value creation. Customer attractiveness retains the attention from the suppliers securing resource allocation and adaption and securing commitment and trust (Harris et al., 2003; Hald et al., 2009). To be attractive, the buying company needs to understand and create value for the suppliers and, moreover, observe this in a relational context influenced by future expectations of the suppliers (Halinen, 1997; Walter et al., 2001; Harris et al., 2003; Wilkinson et al., 2005; Ellegaard and Ritter, 2006; Caniels and Gelderman, 2005; O’Cass and Ngo, 2010).

Harris et al. (2003) are some of the first authors to present a theoretical framework that explains the drivers of attractiveness between companies. Harris et al. (2003) divide attractiveness into three major attractiveness drivers:

1. Economical attractiveness;
2. Resource-based attractiveness;
3. Socially based attractiveness.

Economical attractiveness refers to the volume offered, the stability of the business of the buyer, and the level of profit. Resource-based attractiveness refers to the possibility of knowledge and resource transfer from the buyer, the market, and information access provided by the buyers. Socially based attractiveness refers to the personal relationships between the individual buyer and the supplier, the ease of the dyadic interaction, and the familiarity between the two parties (Harris et al., 2003; Mortensen et al., 2008).

This paper uses Harris’s framework for several reasons. The framework by Harris et al. (2003) builds on an earlier contribution by Dwyer et al. (1987) and the definition of attractiveness by Halinen (1997), who defines attractiveness as “a company’s interest in exchanging with another, based on the economic and social rewards-cost outcomes expected from the relationship over time, and the work of Morgan (2000), who suggests that the development of a relational exchange should be expanded to include access to resources (Dwyer et al., 1987; Morgan, 2000; Halinen, 1997; Harris et al., 2003). The drivers are seen as affecting the level of trust and commitment in the relationship, which, again, affects the relationship, the interaction, the development, and the adaption between the two parties (Dwyer et al., 1987; Halinen, 1997; Harris et al., 2003; Ellegaard et al., 2003; Ellegaard and Ritter, 2006, 2007). Harris et al.’s (2003) definition corresponds to the well-established concepts within business relationship theory in relation to the importance of value, trust, and commitment described by Morgan and Hunt (1994). Finally, Harris et al. (2003) build on empirical data and consider attraction as a new, independent concept within business relationship theory.

4.3 The role of strategic fit and the perception of customer attractiveness

The perception of attractiveness between the buyer and the supplier is most likely to arise when there are degrees of similarities and strategic fit between the supplier and buyer in terms of similar background, prior history, strategy, values, attitudes, complementary skills, and reputation between the parties (Lambert et al., 1996; Harris et al., 2003; Wilkinson et al., 2005). A strategic fit between the two companies may affect the common understanding of the relationship value and the perception of attractiveness (Lambert et al., 1996; Harris et al., 2003; Wilkinson et al., 2005; Mortensen et al., 2008). Unless the supplier understands the created value and, furthermore, believes that the buyer is capable of delivering the expected value, the supplier will not be able to perceive attractiveness, which will affect his or her motivation to implement the development initiatives effectively (Wilkinson et al., 2005; Ellegaard and Ritter, 2006). Harris et al.’s (2003) model which divides attractiveness into three major drives and the influence of strategic fit between the supplier and buyer will be used to analyse the supplier development initiatives conducted by the case company toward the eight selected suppliers in the below explorative case study. The paper will explain how the case company has focused on inter-organisational supplier development by exploring the supplier perspective, communication, and its own attractiveness to create motivation, commitment, and loyalty from the individual supplier.

5. Case study of eight selected suppliers within the supplier loyalty program

Primary data in this paper builds on empirical data developed from interviews with eight suppliers. The four highest and lowest scoring suppliers out of the 110 strategic suppliers have been selected for deeper analysis. The eight suppliers are presented in Table II with their loyalty/performance evaluation, the suppliers’ perceived attractiveness of the case company, nationality of the supplier, revenue, and delivered components to the case company.

In the following data, inter-organisational perceptions of the studied relationships are presented. First, we will clarify the five- and seven-point evaluation scales that are used to evaluate specific practices (see Table III).

Table IV contains the case company’s perception of the relationships with the eight suppliers studied in this paper. Beyond the “fit” and “management task” dimensions, data is also included on the case company’s perception of the suppliers’ view of them, key-word characterisation of the relationship, and the case company’s perception of a common understanding of their relationship. Data displays of the relationship to the case company (with high and low performance and loyalty scores, respectively) are presented in Tables V and VI and are discussed in the two subsequent sections.

5.1 Analysis of the suppliers scoring high in loyalty and high in performance

5.1.1 The relationship between Supplier A and the case company

Supplier A has had a relationship with the case company since 1990 and produces transformers for the wind turbines. The case company is seen as an important customer with a high economic attractiveness since it is responsible for 20 per cent
of the total turnover. The supplier experiences a shared understanding that the two companies have established during the course of their relationship. The case company has influenced Supplier A strategically (e.g. investments in machines, buildings, and distribution networks), and the supplier has made adaptations and development over time. The supplier perceives the supplier loyalty program as an element that has improved the relationship because both parties have made changes (e.g. due to transparency in business operations). Supplier A considers itself part of the wind turbine industry and perceives the strategic fit as somewhat high. The attractiveness of know-how is seen as somewhat low due to the supplier’s own experience. The attractiveness of the social relationship with the case company is regarded as being high. The supplier views the relationship as constructive and long-term (see Table V).

The buyer at the case company has the same perception of the relationship, sees a high strategic fit, and experiences Supplier A as proactive, supportive, and committed to the relationship (see Table IV). This influences the task of handling the relationship, which is perceived as easy. The buyer experiences a good common understanding. The supplier has scored high in the loyalty/performance index and rates the case company as more attractive compared to its other customers in the case company’s internal study.

5.1.2 The relationship between Supplier B and the case company
Supplier B experiences a shared understanding in the relationship with the case company and perceives close communication and knowledge sharing. Supplier B experiences a visible commitment by the case company in relation to a multi-year contract, and the case company is perceived as open about its next strategic moves. The supplier mentions the supplier loyalty program as a positive element in the relationship because both parties make changes. Supplier B perceives a similarity between the two companies in relation to the shared environmental focus and shared focus on quality. Supplier B experiences a high strategic fit in relation to the wind turbine industry. The supplier experiences the company’s economical attractiveness as somewhat high due to its market share of 35 per cent. The supplier views the attractiveness of know-how as being high due to knowledge sharing, which Supplier B can use in other markets. The attractiveness of the social relationship is rated as somewhat high because of the knowledge sharing, long relationship, and close communication (see Table V).

The buyer has the same perception of the relationship and perceives the strategic fit as high (see Table IV). The management task of handling the relationship is regarded as being easy because the supplier is capable and proactive toward the case company and has a high degree of knowledge. The supplier scored high on loyalty and performance and perceives the case company as more attractive compared to other customers in the case company’s internal study.

5.1.3 The relationship between Supplier C and the case company
Supplier C has had relationships with the wind turbine industry and the case company since 1978 producing yaw tops for the turbines. The case company is responsible for 45 per cent of Supplier B’s turnover. The supplier experiences a close relationship with the case company, and the long relationship has influenced a mutual understanding. The supplier feels that the case company is committed to the relationship, and the companies talk about strategy and development on a five-year basis. The implementation of the case company’s supplier loyalty program has improved the relationship because the improvements are initiated from both sides. The supplier perceives a somewhat high strategic fit between the parties, which is affected by the common focus on quality and performance. Supplier C perceives the case company as having very high economic attractiveness. The attractiveness of know-how is also perceived as somewhat high due to the collaboration and testing of yaw tops for turbines.
The attractiveness of the social relationship is perceived as high due to the long relationship (see Table V).

The case company perceives a high strategic fit to Supplier C (see Table IV). The management task of handling the relationship is regarded as easy because the supplier is capable and has an understanding of the wind turbine industry. The supplier has scored high on loyalty and performance and perceives the case company as more attractive compared with its other customers in the internal study. The case company finds that the parties have built a high level of trust and the supplier has a special role at the case company.

5.1.4 The relationship between Supplier D and the case company
Supplier D has been a supplier to the wind turbine industry since 1995. The company has high expertise in aluminium, and its sales to the case company make up 50 per cent of its total revenue. The supplier perceives a common understanding with the case company, and the implementation of the supplier loyalty program has improved this understanding. Supplier D believes that the case company is committed to future development, and this has affected the strategic fit, which is perceived as high. The supplier experiences support between both parties, but does not perceive a high degree of similarity between the two companies due to the different types of product and company structure. The supplier is, however, implementing different management and quality systems to improve the performance toward the case company. The economic and social attractiveness of the case company are perceived as high. The attractiveness of know-how is only regarded as neither/ nor because Supplier D has more knowledge concerning aluminium than the case company has internally (see Table V).

The case company perceives Supplier D as a proactive and capable supplier, which influences the ease of managing the supplier (see Table IV). The case company experiences a very high strategic fit and understanding between the parties because of the supplier’s understanding of the challenges in
## Table V: The supplier's perception of the relationship to the case company (those scoring high on performance and loyalty)

<table>
<thead>
<tr>
<th>Loyalty/performance</th>
<th>Common understanding of the relationship</th>
<th>Commitment</th>
<th>Similarities</th>
<th>Strategic fit</th>
<th>The perceived attractiveness of the case company compared to other customers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> High/high</td>
<td>&quot;We have very good communication about the relationship, the products, quality and delivery&quot;</td>
<td>&quot;We see [the case company] as a very loyal customer&quot; &quot;We see them as a partner where we in cooperation solve different issues&quot;</td>
<td>&quot;[The case company] has a large focus on the environment, and so have we&quot; &quot;We see ourselves as a company within the wind turbine industries&quot;</td>
<td>&quot;We have grown with them since the nineties&quot; &quot;We are following them and follow their strategic moves&quot; Perceived strategic fit: 5</td>
<td>&quot;Economic attractiveness: 6 Attractiveness of know-how: 3 Social relationship: 6&quot;</td>
</tr>
<tr>
<td><strong>B</strong> High/high</td>
<td>&quot;The relationship is based on trust, respect and great understanding&quot; &quot;With the supplier loyalty initiatives the measurement is going both ways&quot; &quot;We have close communication with [the case company] and have a close knowledge sharing&quot;</td>
<td>&quot;We have a multi-year contract with [the case company] because they trust and believe in us&quot; &quot;They are very open about their next move strategically&quot; &quot;We try to follow them both product-wise and physically&quot;</td>
<td>&quot;Both firms have high focus on the environment and quality&quot; &quot;Moreover, the wind turbine industry is very important so what [the case company] does strategically is interesting for us&quot;</td>
<td>&quot;We operate in the wind turbine and aerospace industry. The wind turbine industry and the aerospace industry are beginning to work together...the future strategic fit is seen as great&quot; Perceived strategic fit: 6</td>
<td>&quot;Economic attractiveness: 5 Attractiveness of know-how: 6 Social relationship: 5&quot;</td>
</tr>
<tr>
<td><strong>C</strong> High/high</td>
<td>&quot;We have had a relationship with [the case company] from the beginning&quot; &quot;They ask for our advice and we have cooperation about the new products&quot; &quot;We have great focus on the wind turbine industry&quot;</td>
<td>&quot;We are talking strategy on a five-year basis and have positive negotiations&quot; &quot;I feel that [the case company] has improved their actions towards us since they implemented the [supplier loyalty] program&quot;</td>
<td>&quot;Over time [the case company] has influenced our company. We have implemented many procedures and quality systems towards them over time&quot;</td>
<td>&quot;Our two companies have a long history and both have focus on quality and performance&quot; &quot;We see ourselves as having most focus on the wind turbine industry&quot; Perceived strategic fit: 5</td>
<td>&quot;Economic attractiveness: 7 Attractiveness of know-how: 5 Social relationship: 6&quot;</td>
</tr>
<tr>
<td><strong>D</strong> High/high</td>
<td>&quot;We are talking the same language&quot; &quot;We feel that we know the products better than [the case company] and we have a positive dialog. The supplier loyalty has improved the understanding&quot;</td>
<td>&quot;We feel that [the case company] have commitment towards us and meet our agreements&quot; &quot;Our commitment towards them is also high&quot; &quot;We have plans about following them to the USA&quot;</td>
<td>&quot;We are smaller, simpler than [the case company]&quot; &quot;We are right now implementing management and quality techniques to improve our performance toward them&quot;</td>
<td>&quot;We have great knowledge about the products for [the case company] and there is a good dialog between the companies&quot; &quot;We can help them discover mistakes within drawings etc.&quot; Perceived strategic fit: 6</td>
<td>&quot;Economic attractiveness: 6 Attractiveness of know-how: 4 Social relationship: 6&quot;</td>
</tr>
<tr>
<td>Loyalty/performance</td>
<td>Relationship with the case company since</td>
<td>Turnover based on the case company (per cent)</td>
<td>Turnover in the wind turbine industry (per cent)</td>
<td>Common understanding of the relationship</td>
<td>Commitment</td>
</tr>
<tr>
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</tr>
<tr>
<td>E</td>
<td>Low/low</td>
<td>2003</td>
<td>100</td>
<td>&quot;We are producing towers in high volume and we have, over time and in cooperation with [the case company] implemented quality standards&quot; &quot;We are trying to improve the quality and delivery which have been bad in the past&quot;</td>
<td>&quot;The market situation has changed due to the crisis&quot; &quot;We would like to have a guarantee from them in relation to the expected volume&quot;</td>
</tr>
<tr>
<td>F</td>
<td>Low/low</td>
<td>2000</td>
<td>3</td>
<td>&quot;We would like to understand each other better&quot; &quot;We don’t see [the case company] as more different than other customers&quot; &quot;We do business with them because they are number one in their industry&quot; &quot;We deliver to number 1 companies in many industries&quot;</td>
<td>&quot;Every customer should have minimum €3m in revenue and we communicate this to [the case company]. We produce large volume. We are working together about cost take outs and redesign&quot;</td>
</tr>
<tr>
<td>G</td>
<td>Low/low</td>
<td>1996</td>
<td>45</td>
<td>&quot;[The case company] has visited us and tried to improve our quality. There have been some misunderstandings about the quality and the production method over time. We would like to have more clear instruction from them&quot;</td>
<td>&quot;We would like to invest more in the relationship with [the case company] but the beginning of the relationship has been hard. We do not have the best possibilities for delivering what they want&quot;</td>
</tr>
<tr>
<td>H</td>
<td>Low/low</td>
<td>1999</td>
<td>33</td>
<td>&quot;[The case company] has changed many buyers within the last eight years. This has been difficult to manage sometimes. Today the understanding is okay and the purchasing is centralised&quot;</td>
<td>&quot;We have had ups and downs with [the case company] but we are still doing business. We have had some trouble in the past about security of delivery and strategy but we have never said no to them and will follow them to the USA if necessary&quot;</td>
</tr>
</tbody>
</table>
the wind turbine industry. Supplier D has scored high on loyalty and performance and perceives the case company as more attractive compared to its other customers in the case company's internal study.

5.2 Analysis of suppliers scoring low in loyalty and low in performance

5.2.1 The relationship between Supplier E and the case company
Supplier E has been successful in the steel construction industry, and the corporation has specialised in the growing wind-power industry, which makes up 100 per cent of the turnover. Supplier E is owned by a large corporation in Korea. The case company and the supplier have had a relationship since 2003, and the case company accounts for 50 per cent of their turnover. The performance level and loyalty toward the case company has been low due to lack of experience with the quality standards demanded by the case company, but the supplier has recently made an effort to improve against the growing competition. There seems to be no strategic fit because the supplier does not see itself as being organised in the same way as the case company, which affects performance negatively. The case company is regarded as having a very high economical attractiveness because it is perceived as the market leader within the wind turbine industry. The case company also is rated high in relation to know-how and social attractiveness. The supplier is not positive about the supplier loyalty program because the supplier perceives it is seen only from the case company's perspective.

The case company experiences a high cultural difference that affects the relationship and performance of Supplier E (see Table IV). The management task is seen as heavy, and the supplier has low performance and low loyalty. The buyer perceives the strategic fit between the parties as neither/nor. The buyer is trying to create a better understanding between the parties but finds the cultural differences between the management styles to be high. The buyer experiences that Supplier E has insufficient focus and understanding of the demands of the wind turbine industry, which is affected by the Korean ownership and strategy. The supplier views the case company as being equally attractive compared to its other customers.

5.2.2 The relationship between Supplier F and the case company
Supplier F is a subcontractor specialising in the manufacturing of sheet metal and heavy, welded machine constructions such as crane booms and earth-moving machinery. The supplier has, for the last eight years, also built steel frames for the wind turbine industry. The supplier does not define itself as a supplier for the wind turbine industry, and the wind turbine industry's share of the total turnover is 5 per cent. The supplier does not regard the case company as being more special than its other customers, and it is trying to understand the case company better but has had a low performance and loyalty toward the case company. Supplier F sees the strategic fit as neither/nor due to different business structure (the case company demands products in lower volume than what they offer other customers) and a focus on economy of scale. Due to the change in the world economy and the case company's position as market leader, the case company's economic attraction is still regarded as being high. The attractiveness of know-how is regarded as being somewhat high because of different industry focus. The social attractiveness is regarded as being high (see Table VI).

The case company's buyer perceives that they means little to the supplier (see Table IV). The supplier does not have a special focus on the case company, which influences the performance, loyalty, and development toward the case company. The supplier has rated the case company as attractive as its other customers in the internal study, but the management task is regarded as heavy. The case company describes the relationship as lacking in openness and action towards them because of the supplier's focus on the construction industry, and the strategic fit is perceived as low, which has led to much discussion and misunderstandings in the relationship.

5.2.3 The relationship between Supplier G and the case company
Supplier G was established in 1996 in Spain and produces composite products for different industries including the wind turbine industry. Of the company's total turnover, 95 per cent is generated within the wind turbine industry, and the case company counts for 45 per cent of this. The common understanding between the parties has been low, and there are a lot of misunderstandings about environmental and quality issues. Supplier G does not believe that it has had the best potential for performance with the case company due to quality standards. The supplier finds it hard to live up to the case company's demands and does not understand the supplier loyalty program. This affects the perception of similarity between the two companies, which, again, affects the strategic fit (perceived as neither/nor). The economic attractiveness of the case company is perceived as somewhat high. The know-how and social attractiveness are regarded as low (see Table VI). Supplier G is the supplier that has rated know-how and social attractiveness lowest among all the investigated suppliers, which can explain supplier G's rating of economical attractiveness.

The case company perceives a low strategic fit because the supplier does not have an appropriate understanding of the quality that the case company requires (see Table IV). Moreover, the supplier does not have a similar focus on environmental issues in the production of composite products, which is important to the case company. The management task is heavy, and the case company is using resources to educate and develop the supplier. The parties seem to move away from each other due to the supplier's lack of understanding of the wind turbine industry. The supplier has rated the case company as less attractive than its other customers in the internal study whereas the case company sees the supplier as focusing on economies of scale but not having the capability to deliver high-quality composite material.

5.2.4 The relationship between Supplier H and the case company
Supplier H is an enterprise within the business of glass weaving and fibre cutting. The supplier has had a long relationship with the case company that is responsible for 33 per cent of the turnover. Supplier H earns 90 per cent of its total turnover from the wind turbine industry. The economic and social attractiveness of the case company is regarded as high because it is perceived as the global market leader and the parties have a long relationship. The attractiveness of know-how is rated as neither/nor due to the supplier's knowledge within fibre cutting. Supplier H perceives itself as a part of the wind turbine industry but perceives the strategic fit to the case company as being neither/nor and does not find a lot of similarities between the two companies. Supplier H
observes that the case company has made a lot of changes internally and changed contact persons in the past nine years. This has influenced the common understanding between the case company and the supplier, which in turn has influenced the performance and loyalty of the supplier. Supplier H does not perceive the supplier loyalty program as positive, yet the supplier experienced a positive change when the case company centralised many functions toward the supplier to give more consistent information (see Table VI).

The case company does not experience the supplier as proactive, and there has been a range of issues with quality and deliveries over time. The communication with the supplier has not been good, which has weakened the common understanding and commitment between the parties and made the management task heavy. The strategic fit between the parties is considered low. Supplier H has scored low on loyalty and performance but still has rated the case company as more attractive than its other customers in the internal study (see Table IV). The supplier is performing at an acceptable level but does not have focus on add-ons toward the case company in relation to service and being proactive toward the company.

5.3 Overall analyses of the high and low performing group of suppliers
The results presented in the previous sub-sections indicate that the supplier performance, loyalty, and resource allocation may follow the perception of customer attractiveness and the perceived strategic fit between the parties. In the internal survey initiated by the case company, the company found a positive link between the perceived customer attractiveness of the suppliers and the level of supplier performance.

The above explorative case study found the same indication but not as strong as the internal survey of the case company. In the explorative case study, the economical attractiveness of the case company was perceived as high within both classes of suppliers. The high-scoring suppliers perceived the economical attractiveness of the case company equal to the low-scoring suppliers with an average of 6.0 out of 7. This was influenced by the perception of the case company as having a market leader position amid the economical stagnations within other industries. The perceived know-how attractiveness of the case company was rated as an average 4.5 out of 7 by the high-scoring suppliers and 4.25 out of 7 on average by the low-scoring suppliers. The social attractiveness of the case company was rated as 5.75 out of 7 on average by the high-scoring suppliers and 5.0 by the low-scoring suppliers.

All high-scoring suppliers perceived a high degree of similarities with the case company and experienced a high level of strategic fit with an average of 5.5 on a seven-point scale, compared to an average of 4.0 of the low-scoring suppliers. In addition, all the high-scoring suppliers viewed the supplier loyalty programme as taking into consideration the perspective of both parties and found the supplier loyalty programme to be positive. The high-scoring suppliers experienced that the supplier loyalty programme improved the understanding, increased the level of communication, and strengthened the common understanding in the relationship. Moreover, the high-scoring suppliers have a high focus on the wind turbine industry and define themselves as being within the wind turbine industry. All high-scoring suppliers had a long relationship with the case company, ranging from six to 18 years. In the study, the four highest-scoring suppliers are Danish. One reason for this might be that the case company used mainly local suppliers during the company’s start up. The wind turbine industry is only 35 years old and is still immature compared to other, more mature industries, and the local suppliers have grown with the case company over time and invested in it.

The low-scoring suppliers all had a shorter relationship with the case company, and three out of four of these suppliers were located outside Denmark. Many of the low-scoring suppliers were not positive toward the supplier loyalty program. They found that the quality standards and measurements were set by the case company and the understanding between the parties was not so good. A few of the low-scoring suppliers found that they did not have the best opportunity to perform well in relation to the supplier loyalty programme because the supplier and the case company had different business models and strategic focuses. This may be influenced by some of the low-scoring suppliers not having the same focus in the wind turbine industry. This will be discussed in further research.

It is interesting that the purchasers from the case company and the suppliers have the same experience of the relationship, the strategic fit and the perception of attractiveness. The case company perceives the high-scoring suppliers as proactive and cooperative, and experiences the strategic fit as high and the management task of the suppliers as easy. The case company’s perception of the low-scoring suppliers is different; the suppliers are not perceived as being proactive toward the case company, and the management task of these suppliers was found to be heavy.

The above case study illustrates that the suppliers all evaluate and have a perception of attraction and evaluate the strategic fit and the relationship in general. Furthermore, the suppliers all have an opinion about the supplier loyalty programme. In addition, the buyers had the same perspective on the relationship as the suppliers. This emphasises the importance of considering the suppliers’ perspectives, motivation, and interests when implementing supplier development initiatives, and includes an inter-organisational perspective in which both the buyers’ and suppliers’ perspectives are considered.

6. Conclusion
This paper is the first to explore the concept of inter-organisational supplier development and to consider the importance of viewing both the suppliers’ and the buyers’ perspective when implementing supplier development initiatives. The literature review found that extant literature on supplier development does not include an inter-organisational approach, and the literature views supplier development from a focal perspective. However, a number of authors emphasise the importance of including the supplier perspectives as the potential missing link within the current supplier development literature.

This paper provides a contribution toward closing this gap in the literature by presenting and analysing data from a single case study of eight inter-organisational relationships. This paper argues that it is important to look at development programmes from an inter-organisational perspective. The buying firm needs to consider the motivation and interest of the supplier to secure the willingness of the supplier to implement the development
activity. This is underlined by the fact that a supply chain may have its own strategic agenda, and each supplier formulates its own strategy and can be motivated to develop itself toward the most valuable and attractive customers. Focusing on the supplier view and motivation gives the buying firm a higher potential to influence and motivate the supplier through development activities and thereby maximise the relational value potential.

The explorative case provides indication that inter-organisational development programmes and customer attractiveness influence supplier performance. Suppliers that scored high in both loyalty and performance toward the case company seem to view the supplier development programme as positive and also found the case company a somewhat more attractive customer compared with the supplier that scored low in performance and loyalty. The high-scoring suppliers and the case company perceived a shared understanding, which affects the experienced management difficulties of handling the relationship. The suppliers that scored high in loyalty and performance rated the strategic fit between the parties higher than the suppliers that scored low on performance and loyalty; this is interesting in relation to this paper. Thus, if the buying firm includes supplier perspective and customer attractiveness, and if it considers the strategic fit when implementing supplier development programmes, the buying firm will have a higher ability to influence the supplier and thereby improve the performance and efficiency of the development initiatives. The authors emphasise that an inter-organisational perspective and focus on customer attractiveness can be a valuable add on the supplier development theory, theoretically as well as empirically.

The conclusions drawn in this paper should be viewed through the lenses of some limitations. First, the evaluation in 2008 of the loyalty and performance of suppliers is the basis for selecting the eight suppliers used in this paper. It has not been possible for the authors to conduct a new supplier performance and loyalty evaluation because the case company mentioned that they did not understand the supplier development and measurement of attractiveness. Schiele and Krummaker (2011) mention the measurement of attractiveness as an important area for further development.

In the case study some of the low-scoring suppliers mentioned that they did not understand the supplier development programme. The authors argue that this actually emphasises the importance of focusing on supplier development from an inter-organisational approach. It could be suggested to outline supplier development and measurement systems in an inter-organisational forum. The suppliers could thereby influence the supplier development programme from the beginning and improve their understanding of how they are measured and what the buyers find important. This also could increase the attractiveness.

The cultural difference and aspects of using customer attractiveness in relation to power as a management approach also need to be investigated further. It could be of interest to explore whether customer attractiveness or power as a management approach is perceived differently in different cultures, and if some cultures prefer one approach over the other (Hofstede and Hofstede, 2005). The case study also indicates that the cultural aspect may be important.

### 6.1 Implications and suggestions for further research

The main purpose of the case company’s focus on attraction is to obtain voluntary action from its strategic suppliers to facilitate development, resource allocation, and investments toward the case company (see Appendix 1). Many other industries face the same challenges and find themselves in markets in which they must be attractive to motivate and attract the best-qualified suppliers. The qualified suppliers will always have a “preferred” customer to which they give particular attention.

Buyers investing in supplier development should be aware of the influence of customer attraction and its impact on supplier motivation, resource allocation, and actual supplier adaptation toward the attractive customer. Nevertheless, the buying companies must analyse how much they should invest in their own attractiveness and supplier development programmes in order to remain competitive. Logically, when a buyer invests its resources in supplier development, it is to be expected that the supplier will use this for relationship benefit. If the supplier is dependent on the buyer, the buyer does not have to invest heavily in developing its customer attractiveness. Researchers already have addressed this issue (e.g. Bates and Slack, 1998; Ramsay, 1994; Cox et al., 2004) also in relation to attraction (e.g. Ramsay and Wagner, 2009; Schiele and Krummaker, 2011). Further research can focus on the continuum between the concept of attraction and dependency/power (Hald et al., 2009). The same challenge exists with strategic fit. Customer attractiveness becomes more important when suppliers are considered strategic or when suppliers have many alternatives. Research needs to address the relationship between a supplier’s dependency on a buyer and the development of strategic fit between the parties and how this affects the perception of attraction. As the theory on customer attractiveness is still being developed, the authors argue that it is important to further explore the concept and the measurement of attractiveness. Schiele and Krummaker (2011) mention the measurement of attractiveness as an important area for further development.

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The suppliers were asked to express their opinion about the overall relationship with the case company and asked how they and the supplier together could improve the performance. The dialogue with the suppliers has resulted in a number of initiatives implemented by the case company focusing on the communication with the suppliers, the creation of homogeneous signals toward the suppliers, calibration of processes toward the suppliers, creation of a supplier day once a year, giving access to test facilities physically at the case company, implementing supplier scorecards that can be used to measure performance both ways in relation to quality, delivery, capacity, payment, and service. The program also will influence the case company internally. The case company has tried to change the buying culture toward the strategic suppliers by using internal marking and meetings with the strategic buyers.

Selection of the 110 suppliers
The case company has selected the 110 suppliers out of its 1,300 suppliers by using the case company’s supplier segmentation built on the Kraljic (1983) segmentation model. The segmentation framework is a classification of the suppliers in relation to the importance of the purchase and the supplier risk on the particular market. The case company has formulated three questions to access the importance of purchase and five questions to access the supplier risk, both on a five-point scale. Each question is given a score, all of which are then weighted together on each parameter – the importance of purchase and the supplier risk. The score can then be drawn into the $2 \times 2$ matrix to analyse if the purchase is a non-critical, bottleneck, leverage, or strategic purchase. The 110 selected suppliers all were rated as strategic purchase. The three questions related to the importance of the purchase are:

1. the extent to which the purchased product concerns necessary knowledge/competence areas to the case company;
2. the purchase part of the total production business units purchase; and
3. the value class of purchase in relation to the classification A, B, and U.

The classification A and B is related to the product’s importance for the case company and the degree of particular design for the case company’s use. A is the highest classification. U is a standard purchase. The five questions to access the supplier risk are:

1. number of known potential suppliers within the purchase area;
2. condition of supply market for the purchased product;
3. number of approved suppliers for the purchased product;
4. logistics complexity of purchase; and
5. time and cost for switching to a new supplier.

Appendix 1. The supplier loyalty program and selection of strategic suppliers
The case company has implemented an inter-organisational supplier development program called “The Supplier Loyalty Program”, launched at 110 strategic suppliers in 2007. The background for implementing this program was that the case company increasingly experienced different levels of motivation and performance from its 110 most strategic suppliers. The case company was becoming aware that the company gave suppliers different signals about future investments, implementation of quality standards, and approaches that gave several challenges for the management of suppliers but also decreased the motivations of some of the suppliers.

The Supplier Loyalty Program was inspired by the case company’s “Customer Loyalty Program”, implemented in 2006 to increase the motivation and loyalty of the case company’s customers. The case company has used the same principles on the customer side but reversed these toward the strategic suppliers trying to create a higher motivation, commitment, and loyalty. The case company has also analysed the suppliers’ perception of their attractiveness as a customer. The case company has implemented the supplier loyalty program through dialogue with the suppliers divided into four phases, which are:

1. listen;
2. reflect;
3. react; and
4. follow up where the case company has discussed inputs with the suppliers.

Appendix 2. Questionnaire-survey as a basis for interview
General information about the company

1. Number of employees.
2. Annual turnover and growth rates.
3. Please describe the company with a few words and emphasise the main characteristics.
4 How does the company define its different business areas?
5 Which business area is the case company a customer within?
6 In which way does your company stand out from your competitors?
7 Which position does your company like to have on the market now and in the future?
8 How many years have you be doing business with the case company?

Strategy (four questions with a five point scale; 1 = lowest importance, 5 = highest importance)
1 How important is a low price within your business area?
2 How important is the degree of innovation within your business area?
3 To which degree does your company delivers standard or individual solutions to the customers?
4 How important is quality within your business area?

The companies' relationship with the case company
1 Does your company feel that there has been established some kind of shared understanding (common understanding) between your company and the case company?
2 How does the case company show their commitment to your company, and how do you show your commitment to them?
3 Does your company feel that you and the case company have the same goals for the future and in which direction are each of you heading?
4 At which points are there similarities between your company and the case company and at which points are the two companies different?

Perceived strategic fit between the companies (seven-point scale with 1 = very low fit and 7 = very high fit)
1 How do you as a supplier perceive the fit (strategic fit) between your company and the case company?

Economical attractiveness of the case company as a customer
1 How does your company perceive the attractiveness of the case company compared to your other customers?
2 How important is the case company as a customer compared to your other customers? (seven-point scale with 1 = very low and 7 = very high).

Attraction of the case company
1 To what degree can your company learn from the case company in relation to know how compared to other customers? (seven-point scale with 1 = very low and 7 = very high).
2 How would you characterise the personal relation to the case company compared to other customers? (seven-point scale with 1 = very low and 7 = very high).
3 What can you learn from the case company and what can they learn from you?
4 To what degree has your company made specific adaption to do business with the case company?
5 To what degree has your company made specific adaption to do business with the case company?

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