

Supplier relationship management in the organic food sector

THE SUMMARY OF PHD DISSERTATION

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Fundamental changes in the global development conditions determine supply chain management, emphasizing the need to engage in cooperation in order to integrate the activities of business partners. Building mutual relationships, both external (with the participants and stakeholders of supply chains) and internal (between the functional areas of a given enterprise) may influence the satisfaction of final customers. Process integration is the essence of supply chain management in the *Global Supply Chain Forum (GSCF)* model. It addresses the key processes from the n-th level suppliers to the end-users who provide products, services and information, adding value to customers and other stakeholders.

The coordination of efforts with a view to integrating links in the supply chain involves logistics management and processes, of which purchasing is becoming increasingly important. As companies respond to the trends of a turbulent and competitive environment in the 21st century, they increasingly recognise the importance of purchasing functions in creating multidimensional value. They are in charge of managing the external resources of organisations to which suppliers belong and now play a strategic role in achieving the company's objectives. The focus is put on the efficient development of relationships between the supply chain links by implementing management methods and tools. In light of the requirements of continuous organizational improvement, efficient planning, organizing, monitoring and controlling of joint activities in cooperation with contractors becomes an essential element of operating on the modern market. Managing the supplier base is seen as a means of achieving a competitive advantage.

Purchasing management evolves, beginning with the perception of purchases through the perspective of transactions performed, through distinguishing a certain autonomy from other business functions and coordinating activities, towards internal and external integration and creating the value chain. Achieving increasingly advanced stages affects the intensification of the implementation of methods and tools for supplier relationship management as well as the effects resulting from purchasing management. As purchasing evolves, the place and significance of purchasing departments changes. Their potential for development and improvement depends on the knowledge, skills and competences of managers.

The evolution of the approach to purchasing and sourcing policy has produced the concept of **Supplier Relationship Management (SRM)**, one of the pillars of B2B supply chain management and the **object of this PhD dissertation**. The selection of this

subject area has been driven by a number of factors. Firstly, supplier relationship management is a multidimensional, complex issue and, according to the results of a survey of Polish and foreign literature, it is highly relevant to management and quality studies. The concept is essential for both supply chain management, logistics process management, as well as for quality management, risk management and innovation management.

SRM in *Global Supply Chain Forum* model has been defined as a process focused on developing supplier relationships, co-created by employees representing various business functions within the company and significantly affecting the value delivered to customers and other stakeholders. Its objective is to ensure the development of relationships that balance the economic, environmental and social dimensions of supply chain activity. The above-mentioned *Triple Bottom Line* concept is visible in the growing social pressure to which companies need to adapt and respond by implementing corporate social responsibility principles and environmental management requirements. Supplier Relationship Management helps to incorporate sustainability into business practice in these three areas.

The positive impact of SRM is noticeable at both the strategic and operational levels of the activities of the companies cooperating in supply chains. From a strategic perspective, supplier relationship management has an impact on the competitiveness and value of companies, primarily by influencing the value levers such as revenues, costs, fixed and current assets. Furthermore, the process has been recognised as relevant for sustainable development, including the social and environmental responsibility of supply chains. The potential of the concept is also perceived in the capacity to generate innovation and to jointly improve products and processes. At the operational level, the impact of supplier relationship management is reflected, for instance, in the reduction of operating costs, increased flexibility in the face of increasing customer requirements or shortened delivery cycles in order processing. The development of advanced technologies and the capability to implement and use appropriate methods and tools in supplier relationship management play an important role and have the potential to intensify the benefits.

The significance of the issue is increased by the differences in the power balance between cooperating companies and the prospects for private label development. As a result of global trends, including mainly the changes in consumer preferences and purchasing opportunities, all commercial chains in Poland currently have such

products in their commercial offer. Moreover, retail chains are currently building their competitive position by introducing premium private label products and specialized nutrition products to their offer. The PhD dissertation focuses on the organic food sector, in which, outside international retail chains, the importance of smaller businesses is growing. It is worth mentioning that the literature also emphasises the importance of integration within the food supply chains. Short supply chains, in which relationships are built with local suppliers, are increasingly significant in both business science and practice. The significance of the issue is additionally emphasized by the provisions of EU, national and regional legal regulations, whose main objective is to develop the organic food market. Even though scientific and research output exists in the field of SRM private label market and organic food sector, none of the publications has so far linked these three topics nor dealt with the problem in a holistic or in-depth manner. The previous publications either focused on the customer perspective or supplier relationships, taking into account the sales perspective. The literature lacks a study on purchasing. The existing **theoretical and empirical gaps** were therefore the main grounds for addressing the topic of the PhD dissertation. This PhD thesis responds to the need to present the role of the purchasing function against the background of the market for private label organic food products. The author has attempted to determine the conditions, methods, tools and effects of SRM used in Poland. The **application gap** in the use of methods and tools in supplier relationship management was also an additional driver for the author.

The main goal (MG) of the dissertation is to determine the conditions, tools, methods and effects of supplier relationship management on the example of organic food sector private label distributors. With reference to the MG, the following **specific goals (SG)** were formulated:

- SG 1.** To identify and assess the relevance of external and internal factors affecting supplier relationship management in the organic food sector.
- SG 2.** To identify the types of relationships with private label organic food suppliers.
- SG 3.** To identify the methods and tools for managing relationships with private label organic food suppliers.
- SG 4.** To identify the major effects of supplier relationship management.
- SG 5.** To identify the barriers to the exploitation of the potential of supplier relationship management methods and tools.

The main research thesis (MT) is as follows: The distributors of private label products in the organic food sector have the potential to improve their methods and tools and, as a result, their supplier relationship management.

The following specific research thesis were formulated:

- ST 1.**Economic, legal and social factors are the main external determinants of the growing importance of private label product supplier relationship management by organic food distributors.
- ST 2.**The strategic approach to purchasing is the main internal determinant of the growing importance of supplier relationship management in the organic food sector.
- ST 3.**Distributors of private label organic food build partnership relationships mainly with local suppliers.
- ST 4.**The predominant effect of implementing supplier relationship management methods and tools is cost reduction.
- ST 5.**Significant barriers to using the potential of the methods and tools are the managers' lack of knowledge and skills and their low awareness of the benefits of building partnerships.

A duly designed **research procedure** has been used to achieve the main and specific goals of the PhD dissertation and to verify the hypotheses. The first stage of the study consisted of a review of Polish and foreign literature on supplier relationship management, private label and organic food sector. First, a number of casual interviews were conducted with representatives of distributors and private label suppliers in order to develop a questionnaire for the proper research, including a portfolio of methods and tools that can be used in SRM. Then, quantitative and qualitative research was conducted. The analysis covered organic food distributors operating in Poland. The research was conducted using the CATI (Computer Assisted Telephone Interview) technique in the form of 120 structured interviews.

On the basis of the results obtained, conclusions were developed in response to the following 6 **research questions**:

- RQ1.**What are the external and internal factors affecting supplier relationship management in the organic food sector in Poland?
- RQ2.**What kind of relationships do distributors develop with private label organic food suppliers?
- RQ3.**To what extent do private label organic food distributors implement a strategic approach in purchasing management?

RQ4.What are the effects of private label organic food supplier relationship management?

RQ5.What are the methods and tools used by private label organic food distributors in supplier relationship management?

RQ6.What are the barriers to private label organic food supplier relationship management?

The conclusions of the quantitative survey are supplemented by case study analyses. The selection of the sample for the needs of the qualitative study was deliberate, made by the author. The examples presented in the PhD dissertation involve 9 distributors who have private labels of organic food in their offers. These organisations implement a strategic approach to purchasing by developing purchasing strategies and implementing appropriate methods and tools, such as category management, purchasing process automation, supplier segmentation, product design in cooperation with suppliers. The qualitative research allowed to identify methods and tools and to determine the benefits and barriers to supplier relationship management.

Conclusions formulated on the basis of empirical research were used to achieve MG and SGs and to verify the RTs, they also provided a basis to fill the theoretical, empirical and application gap. As a result, a number of recommendations for business practice were formulated.

The PhD dissertation consists of the introduction, three thematic chapters and the summary. In the first, theoretical chapter, the author explained the main concepts of the PhD thesis, which include: purchasing, relationships, and supplier relationship management. SRM, which is the main subject, has been described in terms of its origin, specificity, significance, determinants as well as directions and potential for development. The deliberations were based on the *Global Supply Chain Forum* reference model. Proceeding from the strategic approach in purchasing, the stages and methods and tools in SRM were presented. Furthermore, in the first chapter, the differences between the two fundamental ways of supplier relationship development: transactional and partnership, were outlined. A. J. Van Weele's purchasing evolution model was also described as a reference point for the directions of SRM development. The chapter closes with the author's own list of methods and tools of supplier relationship management to be applied at particular maturity levels of the distributor's purchasing functions.

The second chapter focuses on the characteristics of private label organic food products and the determination of conditions for the development of this sector.

The deliberations cover the construction and operation of organic food chains, in particular the development of short supply chains based on cooperation with local suppliers. This part of the paper presents the specificity of the organic food market and private labels. The main trends and conditions were identified and the directions for the development of this market were determined.

The third chapter presents the conclusions from empirical research. It is essential for the verification of the thesis. The author has determined and evaluated the significance of determinants in private label organic food supplier relationship management by distributors. She presented and evaluated the implementation of the strategic approach in purchasing management in the studied group of entities. In the further part of the chapter, the focus was on determining the effects and barriers in distributors in terms of SRM development.

The conclusion presents the findings of the literature queries and empirical research, referring them to the objectives of the PhD dissertation and the verification of the MT and 5 STs. Direction for further research and recommendations for business practice was also proposed. This PhD thesis is interdisciplinary, combining the knowledge of various sub-disciplines in management and quality studies.

Key words:

Supplier relationship management, organic food sector, private label, organic supply chains, local suppliers